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Why the summer is postponed in São Paulo

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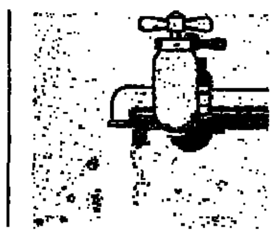


Water

The final frontier in privatisation

Page 6

World Business Newspaper http://www.FT.com THURSDAY OCTOBER 2 1997

WORLD NEWS

Germany spurs rail bosses to get its trains back on time

Railway operator Deutsche Bahn has finally faced up to the fact that Germany's trains no longer run on time, and has warned 4,000 managers that their year-end bonuses will suffer if punctuality is not improved. Page 18

Clinton meets carmakers President Bill Clinton today meets the Big Three vehicle makers, General Motors, Ford and Chrysler, to discuss trade and foreign markets. Yesterday the US trade representative was to release the "Super 301" list of nations accused of unfair trading practices. Japan was expected to be on its "watch list". Page 11

Bosnian transmitters seized Nato-led peacekeepers in Bosnia carried out a long-standing threat to silence what the US called a "poisonous stream" of nationalist Serb propaganda by seizing four television transmitters. Page 2

'Fast-track' trade bill moves The US Senate finance committee approved a version of President Bill Clinton's proposed "fast-track" bill to authorise him to negotiate new trade agreements.

France to shorten work week France's ruling Socialist party gave the clearest indication yet that it plans to introduce a law reducing the working week to 35 hours by a given date. Page 2

Bid to settle on Marcos gold Philippine President Fidel Ramos took steps to reach a negotiated settlement with the family of the late dictator Ferdinand Marcos over claims on billions of dollars worth of gold alleged to be sitting in Swiss banks. Page 18

Mahathir fumes as ringgit falls A fresh attack against currency traders by Malaysian prime minister Mohamad Mahathir prompted heavy selling of the ringgit, taking it and other south-east Asian currencies to record lows against the dollar. Page 6

China's National Day in HK Hong Kong celebrated China's National Day for the first time with a sea of red flags, a military fly-past and fireworks. Page 6

Thais plan $10bn bond issue Thailand plans to issue up to $10bn worth of bonds on the global markets to finance restructuring of its financial system, officials said. Page 6

Nato sets command decision Nato defence ministers set a December deadline for resolving issues blocking the introduction of a streamlined military command structure. Page 3

Swiss bank guard cleared Swiss authorities dropped criminal investigations against former bank guard Christoph Meili, who rescued Holocaust era documents from destruction and was put under investigation for violating bank secrecy laws.

Hamas leader freed by Israel Israel released ailing Sheikh Ahmad Yassin, spiritual leader of the Islamic group Hamas, and deported him to Jordan amid speculation of a deal involving the return to Israel of two alleged intelligence agents. Page 11

Two die in school shooting An 18-year-old student opened fire on schoolmates with a shotgun at a high school in Pearl, Mississippi, killing a former girlfriend and another student and wounding six others. The boy's mother was found murdered.

Women's advancement slows: The number of women serving as directors at Fortune 500 companies increased just 3 per cent over the last year, says a New York agency that tracks females *in senior positions*. Page 4

BUSINESS NEWS

Reuters spends £50m on new internet centre in Geneva

Reuters, the financial information and media company, is stepping up internet investment with a £50m ($80m) plan for a new "Global Technical Centre" in Geneva to develop internet-related products. Page 19

Gianni Versace, the Italian fashion group, has postponed plans to go public until 1999. It had planned a $1.5bn offering in New York and Milan. Page 19

Saga Petroleum, Norway's largest independent producer, blamed adverse currency movements for a sharp fall in profits. Page 22

NEC of Japan plans to set up a supercomputer service business – possibly in Canada – after US authorities imposed 454 per cent anti-dumping duties. Page 6

Daimler-Benz, German motor and aerospace group, plans to spend C$1bn (US$725m) researching "fuel-cell" engines powered by methanol. Page 22

EDS, US-based computer services group, has been named preferred contractor for a £400m ($644m) deal which will provide pay and administration for UK armed forces. Page 12

Pearson, the media company that owns the Financial Times, expects to double revenues from selling TV game shows by buying US production company All American for $373m. Page 24

Internet Bookshop, UK's largest online bookseller, is selling discounted US editions of books, risking a price war and legal battles. Page 12

Canada's secretive Mannix family has completed a C$2.1bn (US$1.52bn) disposal of energy assets by selling oil and gas facilities to Talisman Energy for C$501m. Page 20

Maid, the UK electronic information company, is paying almost £300m ($483m) to take over Miami-based Knight-Ridder Information. Page 19

Korea Telecom's $1.2bn share offering has been delayed because of a sharp decline in Seoul's stock market and worries about the country's corporate credit ratings. Page 19

Frontline, Bermuda-based tanker operator bidding for Swedish *rival ICB Shipping, revised its* hostile SKr3.22bn ($425m) offer in an effort to scupper ICB's proposed $309m acquisition of Greece's Astro Tankers. Page 23

ABB, Swiss-Swedish engineering group has won a $500m construction contract to increase capacity at Saudi Arabia's Yanpet Petrochemical Complex. Page 6

Banca Commerciale Italiana has lifted the ceiling on investors' voting stakes from 3 per cent to 5. Page 22

Natexis, French bank formed by the merger of Crédit National and Banque Française du Commerce Exterieur, is to raise FFr1bn ($169m). Page 23

Bodycote International, UK metal treatment group, plans to buy French heat treatment company HIT in a deal worth FFr604m ($101m) Page 25

Sony has signed UK pop group the Spice Girls to a product endorsement deal for its PlayStation games system. Page 12

Finland's hopes for a merger between Neste, partly privatised Finnish oil and petrochemicals group, and state-owned domestic power utility, Imatran Voima (IVO), face opposition from the European Commission. Page 19

US company's offer is likely to scupper British Telecom's merger plans

WorldCom in $30bn bid for MCI

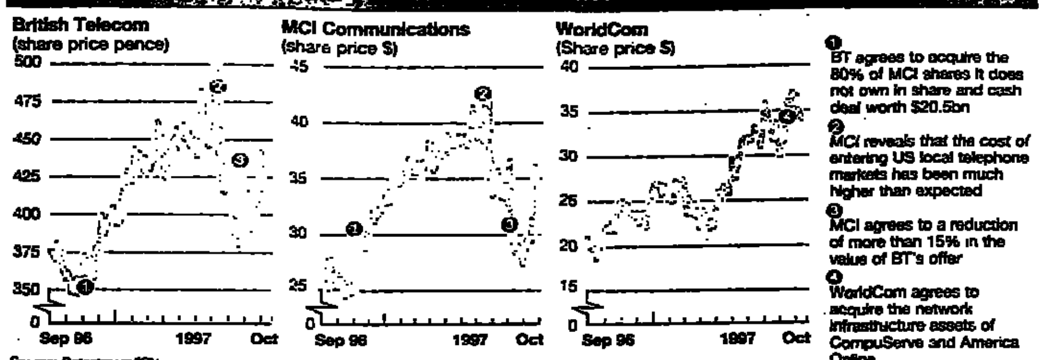
By William Lewis and Tracy Corrigan in New York

WorldCom, the US communications company, yesterday tabled the largest bid in the history of mergers and acquisitions, when it offered to pay $30bn for MCI Communications.

The unexpected all-stock offer looks likely to scupper British Telecommunications' agreement to buy MCI but could leave the UK group with about 10 per cent of the newly merged company. WorldCom said its offer, based on closing stock prices on Tuesday, represented a premium of $6bn to the BT offer, and is pitched at $41.50 per MCI share. The terms of the BT deal were drastically cut in August after weeks of negotiations when MCI warned it would lose more than previously expected in its attempt to break into the local telephone market.

The deal represents a further step in the consolidation of the global telecommunications industry. It could herald further mega-mergers, as telecoms, internet and other communications companies vie for a share of a global market which is being deregulated. Yesterday there was widespread speculation on Wall Street that AT&T, the largest US telecoms company, may be pushed into making an acquisition.

BT and MCI shares jump on WorldCom bid



Source: Datastream/ICV

Bernard Ebbers, president and chief executive officer of WorldCom, said the deal offered MCI shareholders "a higher price, a higher premium, and most importantly, a higher performing stock" than Concert – the company to be created through the BT merger. He described WorldCom and MCI as an excellent cultural fit, saying "our two companies are the paradigm for the American entrepreneurial spirit – we have both forged significant inroads into industries long dominated by giants."

WorldCom, the fourth largest long-distance operator in the US, has expanded rapidly into local services, particularly for the financial community and the internet through a series of ambitious acquisitions. It is broadly believed among industry specialists to be the group best placed to take advantage of new technology and the world's rapidly liberalising telecoms markets.

MCI shareholders yesterday welcomed the news and hit out at BT's management for having cut the price they were willing to pay for the US telecoms company. Peter Schoenfeld, who runs PSAM, a Wall Street arbitrage firm, said: "It looks like a great deal, providing their [WorldCom's] share price holds up and I think it will be very difficult for BT to compete."

MCI said its board of directors would meet in due course to review all issues and options.

BT said only: "We have received the material made public today and are considering the issues it raises." In London, BT shares jumped by more than 8 per cent, by 32½p to 422p, reflecting relief that the MCI deal might not go ahead and the hope that BT might return capital to shareholders. In afternoon trading in New York, WorldCom's shares fell $1 to $34⅝ and MCI stocks leapt 6⅛ to 35⅛.

Speaking at a press conference in New York, Mr Ebbers said he had a "cordial conversation" with Bert Roberts, chairman of MCI, but had not spoken with BT. However he also called for three-way talks with BT and MCI and held out the possibility of offering BT representation on the board of the merged company.

WorldCom said the transaction would enhance earnings by as much as 22 per cent in the first year and it had identified savings in the first full year of $2.5bn.

Mr Ebbers disclosed yesterday that he had also looked at launching a bid for AT&T. He said he had thought of MCI "when we did not get a good reaction to our other idea".

WorldCom yesterday also announced plans to take over Brooks Fiber Properties, a local telecoms company, for $2.4bn.

Salomon Brothers, the investment bank being taken over by Travelers Group, is advising WorldCom.

Internet takes on phone, Page 17; Lex, Page 18; High achiever reaches for MCI, Page 20

Crisis hits the Rome government over budget vote

By James Blitz in Rome and Simon Davies in London

Italy's 18-month old centre-left government was plunged into a full-scale crisis yesterday after its far-left allies in parliament announced they would vote against its 1998 budget.

In a development that casts a considerable shadow over Italy's plans to join a single European currency in 1999, the far-left Reconstructed Communist (RC) party said it objected to proposed *cuts in pensions spending*.

Romano Prodi, the prime minister, admitted for the first time that his government was in a state of crisis. The Olive Tree coalition relies on the 35 deputies from RC for its majority in the chamber of deputies – and can be forced out of power if the minority party executes its threat.

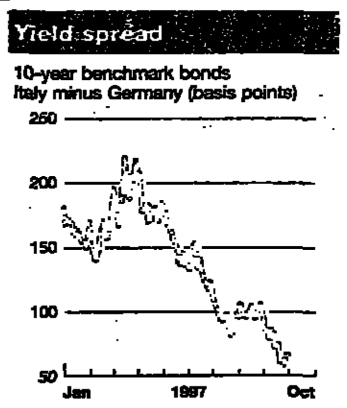
"Prodi confirmed formally that a government crisis had been *opened within the majority,*" Pietro Larizza, head of the UIL trade union, said after a meeting with the prime minister. In a further sign of the darkening political mood, the prime minister held talks last night with the country's president, Oscar Luigi Scalfaro.

Mr Scalfaro can dissolve parliament but senior government ministers made clear there was no *question of Mr Prodi resigning as* a result of RC's threat.

Instead, the government will first hold a debate in parliament to see whether a compromise can be reached on the issue.

Italian markets reacted nervously to the developments. The main Milan stock market indices fell 3 per cent yesterday. The gap between the yields on German 10-year government bonds and their Italian counterparts widened to 77 basis points, compared with a gap of just 59 basis points last Friday.

Yield spread



Source: Datastream/ICV

Giorgio Radaelli, senior economist at Lehman Brothers, said: "The market reaction has been fairly muted. If this had happened two years ago, the government bond future would have lost 2 points instead of 0.32. But there is considerable downside if the government falls. It must be 50/50 whether it can survive."

Fausto Bertinotti, the leader of the RC, has left open the possibility of some compromise, but Mr Larizza of the UIL said that the prime minister had made clear there were limits to the revisions which the government would be prepared to implement.

"Prodi said the government was prepared to accept minor alterations to the budget but was not willing to re-write the budget altogether."

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Survey fuels fears that economy is heading for stagnation

Business confidence slips in Japan

By Gillian Tett in Tokyo

Confidence among Japanese companies slipped sharply last month, the Bank of Japan's quarterly "Tankan" survey of business sentiment yesterday showed.

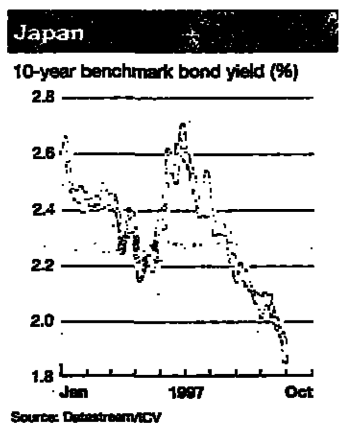
The deterioration fuelled fears that the world's second-largest economy could be heading for stagnation, after recent tax rises dented growth over the summer.

These concerns yesterday pushed the yield on Japanese government bonds to a global record low: the long-term benchmark bond fell 90 basis points during the day to touch briefly 1.785 per cent.

The drop means that Japanese *yields have now fallen below* the previous global record, set when US long yields hit 1.85 per cent in 1941.

Ryutaro Hashimoto, Japan's prime minister, conceded that the country was unlikely to meet its forecast of 1.9 per cent growth in the current fiscal year. *The picture painted by the Tankan* was, he said, "extremely severe."

Japan



Source: Datastream/ICV

The quarterly survey, which provides the most up-to-date indicator of economic sentiment in Japan, showed that the level of optimism among major manufacturers fell in September for the first time for a year. Pessimism among non-manufacturers also rose sharply.

The results follow a string of poor economic data earlier this week, including a 17.2 per cent annual drop in housing starts in August, and a 2.2 monthly drop in industrial production.

Separate data yesterday also revealed that Japan's domestic car sales in the six months to September suffered their first drop for the period in four years due to dwindling consumer appetite for big-ticket items.

Sales fell 9.3 per cent on an adjusted basis to 2.26m units from the same period a year earlier, *the Japan Automobile Dealers Association said.*

Until recently the Japanese

Continued on Page 18
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Markets

STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	7,984.38	(+49.12)
NASDAQ Composite	1,688.98	(+3.27)
Europe and Far East		
CAC40	3,054.93	(+46.57)
DAX	4,196.98	(+28.13)
FTSE 100	5,317.1	(+72.9)
Nikkei	17,842.16	(-45.55)
US LUNCHTIME RATES		
Federal Funds	5¾%	
3-mth Treas Bills: Yld	5.083%	
Long Bond	100⅝	
Yield	6.304%	
OTHER RATES		
UK: 3-mo Interbank	7⅞%	(7⅞%)
UK: 10 yr Gilt	106.7813	(105.969)
France: 10 yr OAT	100.40	(100.08)
Germany: 10 yr Bund	103.89	(103.50)
Japan: 10 yr JGB	108.40	(107.80)
NORTH SEA OIL (Argus)		
Brent Dated	$19.93	(19.885)

GOLD		
New York: Comex		
Oct	$333.6	(334.3)
London:		
	$336.05	(333.05)
EXCHANGE RATES		
Dollar		
New York: lunchtime		
£	1.614	
DM	1.774	
FFr	5.98	
SFr	1.45995	
Y	120.935	
London:		
£	1.6133	(1.6154)
DM	1.7756	(1.7662)
FFr	5.964	(5.9322)
SFr	1.461	(1.4523)
Y	120.93	(120.73)
Tokyo close		Y 120.75
Sterling		
DM	2.8645	(2.8531)

Bahrain	Din1.300	Belgium	BFr60	Cyprus	C£1.35
Denmark	DKr21.00	Estonia	EKr34.00	Finland	FmK20.00
France	FFr12.50	Gibraltar	[illegible]	Greece	Dr450
Hungary	Ft240	Iceland	IKr295	Jordan	JD1.75
Kuwait	Fils750	Latvia	Ls 1.65	Lithuania	Lit21.00
Luxembourg	LFr60	Morocco	Dh18.00	Netherlands	Fl5.00
Nigeria	[illegible]	Norway	NKr21.00	Oman	OR1.75
Poland	Zl 7.50	Portugal(mainland)	Esc260	Qatar	QR13.00
S.Arabia	SR13.00	S.Africa	R13.95	Spain	Pta275
Sweden	SKr22.00	Syria	SP 80.00	Switzerland	SFr3.80
Tunisia	Din2.000	UAE	Dh13.00		

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Abuse of office charges against Russia's former privatisation head

Chubais defends Kokh against 'lies'

By John Thornhill in Moscow

Anatoly Chubais, Russia's leading economic reformer, put his political reputation on the line yesterday by launching a spirited defence of Alfred Kokh, the former head of the national privatisation agency.

Reacting to news that the Moscow city prosecutor had started criminal proceedings against Mr Kokh over alleged abuse of office, Mr Chubais charged that the campaign against his political ally was nothing more than "lies" stirred up by disgruntled bankers.

"I have known Kokh for 10 years and I know that Kokh is an honest man," he said. "I am convinced the procurator will sort everything out peacefully."

The Moscow prosecutor said he had launched the criminal case against Mr Kokh after an investigation into allegations that the former minister had indirectly received money from Oneximbank, Russia's most powerful commercial bank. This summer, Oneximbank won two controversial privatisation auctions supervised by Mr Kokh.

Yuri Syomin, the deputy prosecutor, said it had been established during the investigation that Mr Kokh had received $100,000 from a Swiss company, Servina Trading, in return for the rights to publish a book on Russian privatisation.

But Mr Syomin questioned the intentions that motivated this publishing deal. "According to a specialist in the field of book publishing, the terms of the agreement between author and agent were unusual from the viewpoint of accepted practice," he said.

According to the deputy prosecutor, the expert said that the book was likely to appeal only to specialists, predicting that between 100 and 4,000 copies might be sold at a price of $13-$15 each.

Mr Syomin added that Mr Kokh did not appear to be under any contractual obligation to deliver his book, raising the suspicion it was not a straightforward commercial agreement. He said there was also evidence that Dmitry Ushakov, deputy chairman of Oneximbank, had helped seal the deal.

"It is possible that it [the publishing deal] was at that time the result of an attempt by the bank to strengthen relations with A. Kokh as a deputy prime minister... and head of the state property committee," the prosecutor said.

In an interview in the Kommersant newspaper yesterday, Mr Kokh denied knowledge of any connection between Servina and Oneximbank.

He said the book was being updated and would be on sale by the end of the year. Oneximbank officials have also strenuously denied any links between Servina and the bank.

Mr Chubais accused rival banks that lost the auction for 25 per cent of the Svyazinvest telecommunications company of masterminding the campaign against Mr Kokh.

He alleged that these bankers had threatened him on the eve of the privatisation auction, saying there would be "criminal proceedings against your friends" if he did not agree to sell them the Svyazinvest shareholding cheap.

Mr Chubais said Mr Kokh's critics would look foolish when the book finally appeared, adding that the controversy surrounding its publication was bound to help its sales.

Peacekeepers silence Serb propaganda TV

By Guy Dinmore in Belgrade and Alexander Nicoll in Maastricht

Nato-led peacekeepers in Bosnia yesterday carried out a long-standing threat to silence what the US called a "poisonous stream" of nationalist Serb propaganda by seizing control of four television transmitters.

The raids, which met no resistance, were carried out as Nato defence ministers met in the Dutch town of Maastricht to discuss the future of the 35,000-strong Stabilisation Force (Sfor), which is due to pull out of Bosnia by next July.

Walter Slocombe, US undersecretary of defence, said the raids would end "the poisonous stream of material" coming from the main studio of Serb Radio and Television (SRT), controlled by hardline Serb nationalists in Pale, eastern Bosnia.

The Pale faction, led by Radovan Karadzic, the ex-Bosnian Serb president indicted for war crimes, is locked in a power struggle with his successor, Biljana Plavsic, who has won Nato's support.

Several hundred Sfor peacekeeping troops took control of four transmitters near the capital, Sarajevo, Bijeljina and Doboj in the north, and Trebinje in the south-east.

Programmes were interrupted but resumed with broadcasts from a studio controlled by Plavsic loyalists in her north-western stronghold of Banja Luka.

Carlos Westendorp, the civilian High Representative in Bosnia, ordered the operation after the Pale studio on Sunday doctored a statement by Louise Arbour, chief prosecutor for the UN Yugoslav war crimes tribunal based in The Hague. A voice-over in Serbian wrongly quoted Mrs Arbour as saying that the tribunal was a political instrument to be used against the Serbs.

Control of the airwaves has become a focal point of the Bosnian Serb power struggle ahead of parliamentary and presidential elections tentatively scheduled for November and December.

Mrs Plavsic and Momcilo Krajisnik, her hardline rival on Bosnia's collective presidency, agreed in Belgrade last week to hold the elections and have SRT broadcast on alternate days from their studios in Banja Luka and Pale.

In Maastricht, Nato defence ministers avoided detailed discussion of what should happen when the Sfor mandate ended in June 1998. Focusing on the implementation of the Dayton accords within the existing mandate, Javier Solana, Nato's secretary-general, said: "The more we can do the better, in this period of time." Meanwhile, "we will maintain the level of force compatible with the mission that we have."

The Sfor operation was originally to be reduced in stages by 50 per cent during its 18-month mandate. Some contributing countries are believed to agree with General Klaus Naumann, chairman of Nato's military committee, who advised ministers that the mission could be satisfactorily carried out with a somewhat smaller force.

William Cohen, US defence secretary, told fellow ministers not to dwell yet on possible plans for the period after June. This, he said, could undermine deadlines which might be set for the parties in Bosnia during the existing Sfor mandate. He reminded them that the US administration would have to make a very persuasive case to Congress for any presence after June.

Among the priorities discussed by ministers for the next nine months were the further dismantling of the so-called "specialist police", fostering of free media, a drive against corruption and smuggling, continued support for the holding of elections and implementation of their results, and further action against war criminals.

A protester kneels before a policeman in Belgrade on Tuesday. Riot police attacked several thousand demonstrators during a protest march against the sacking of the mayor, Zoran Djindjic, leader of the opposition Democratic party, by a vote of the city assembly Reuters

Albanian protest in Kosovo broken up

By Guy Dinmore

Serbian riot police in the southern city of Pristina used tear gas and baton charges yesterday to break up a peaceful protest by several thousand ethnic Albanian students demanding education in their own language in state institutions.

At least 10 people were injured, and the rector of the unofficial Albanian university, his deputy and three student leaders were arrested, witnesses said.

The demonstration was the biggest in the mainly Albanian-populated province of Kosovo for several years. Belgrade stripped Kosovo of its autonomy in 1989, asserting the province wanted to secede and join Albania.

Western governments condemned the police and called on the Belgrade leadership under Yugoslavia's president, Slobodan Milosevic, to enter a peaceful dialogue with the ethnic Albanian community, which makes up nearly a fifth of Serbia's population.

Progress on resolving the Kosovo conflict is one of the main conditions set by the US and the European Union before Yugoslavia – comprising Serbia and Montenegro – can rejoin the International Monetary Fund and tap financial support.

The crackdown followed an attack by riot police on Tuesday night on demonstrators in Belgrade protesting against the dismissal of the city's pro-democracy mayor, Zoran Djindjic.

French party chief hints at cut in working week

By Andrew Jack in Paris

France's ruling Socialist party yesterday gave the clearest indication yet that it plans to introduce a law reducing the length of the working week to 35 hours by a given date.

François Hollande, first secretary of the party, said in an interview on the RMC radio station that there had to be a law on working hours with a deadline, and that he felt five years from now was "too long".

He stressed that the law should permit flexibility in the reduction, but said it was needed to ensure the objective was ultimately achieved. He also argued that there should be no reduction in salaries with the drop in hours.

Mr Hollande is not a member of the French cabinet, but is very close to Lionel Jospin, the prime minister, who made him interim head of the party after the general election last June. Mr Jospin has supported Mr Hollande's candidature for re-election at the next party congress in November.

Mr Hollande's comments appeared to receive support from Martine Aubry, the minister of employment and solidarity, who is in charge of the talks on working hours. She said yesterday that the reduction should be significant and neither too fast nor too slow.

"If we want to progress, the reduction has to be strong and not take place too slowly, so that the creation of jobs is not limited by productivity gains," she said.

She added that reductions should be achieved through negotiation, and should not threaten the competitiveness of French business."

Jean Gandois, head of the Patronat, the employers' federation, yesterday reiterated his opposition to any law which would force businesses to cut working hours without any cuts in pay.

However, he dismissed suggestions that the Patronat would boycott a conference on employment and wage issues that is scheduled to open on October 10. Didier Pineau-Valenciennes, head of the Patronat's social affairs commission, had previously hinted that employers would not attend if the government stuck to its legal proposals.

The conference is due to address issues such as wage increases, working hours and the question of job creation.

Alain Deleu, head of the moderate CFTC union, argued that the Patronat was taking a hard line on working hours because "it does not want to share the power over the economy".

New EU treaty is looking like a sideshow

Though Emu has become the main topic of debate, the Amsterdam treaty, to be signed by ministers today, will still make a difference to the EU's future. Lionel Barber looks at the winners and losers

Eighteen months after the launch of a constitutional conference on the future of the European Union, EU foreign ministers gather in Amsterdam today to sign a treaty which is already being dismissed as a mere footnote in history.

The rush to judgment is understandable. Economic and monetary union (Emu) dominates the debate in Britain, France, Germany and Italy, whose centre-left government is in crisis. By comparison, the treaty of Amsterdam agreed last June looks like a sideshow.

Critics of the new treaty argue that it is far less ambitious than its predecessors: the 1985 Single European Act which established the internal market, and the 1992 Maastricht treaty which agreed a fixed timetable for the transition to Emu.

Peter Sutherland, former head of the Gatt world trade organisation and once an EU commissioner, says the provisions "fail dismally to live up to the promise of an effective and coherent external policy for the Union" – particularly on trade negotiating authority, where the European Commission was a big loser.

Max Kohnstamm, a former aide to Jean Monnet, one of the founding fathers of the EU, says the treaty ducks the vital issue of streamlining institutions and decision-making ahead of the planned enlargement to central and eastern Europe. The Belgian, French and Italian governments have meanwhile declared that a strengthening of institutions is "an indispensable condition" for concluding negotiations with applicant countries.

Peter Ludlow, head of the Brussels-based Centre for European Policy Studies, calls for a more balanced judgment. He says governments should take credit for repairing the weaknesses of the Maastricht treaty and responding to the crisis of legitimacy exposed by Denmark's anti-Maastricht referendum vote in 1992.

The most important treaty achievement is the "Area of Freedom, Security and Justice", he says. This section allows for the progressive introduction, within five years, of measures to ensure the free movement of people and establish common rules on external border control, asylum and immigration.

A separate clause – which appears designed to deal with EU enlargement to the former communist countries – requires member-states to commit themselves to fundamental principles such as respect for democracy, human rights and the rule of law. The treaty also contains a mechanism to suspend voting rights for members in breach – an atomic bomb in political terms.

Finally, the new treaty calls for tighter co-operation among EU governments to prevent crime, terrorism, trafficking in persons, xenophobia, racism, drug-trafficking, corruption and fraud – buttressed by recognition of the European Court of Justice's jurisdiction.

The extension of the European Court's authority – coupled with the expansion of the European Parliament's right to block or amend legislation under the so-called co-decision procedure – has largely escaped public attention. But one EU negotiator says these changes have long-term significance. "They are building blocks which strengthen EU institutions [at the expense of national institutions]," he declared.

In retrospect, the treaty of Amsterdam threw up some surprising winners and losers. Countries with clearly defined objectives – the Irish, the Nordic states and the British – came out on top. The Danes, Finns and Swedes secured language on transparency, employment and equality of the sexes, and avoided politically delicate commitments to a common defence.

Tony Blair, the UK prime minister, preserved his government's right to control borders and recognition of Nato as the prime guarantor of European security. Ratification in these countries should be easier.

By contrast, the French lost their way. Jacques Chirac, France's president, failed to win support for his call for a streamlined European Commission, a high-profile political appointee to represent the public face of EU foreign policy, or a reorganisation of voting weights in favour of the bigger member-states ahead of enlargement.

Similarly, Germany's Chancellor Helmut Kohl was curiously subdued. He blocked a string of proposals for more majority voting, and was one of the most dogged defenders of national and regional rights at the expense of new EU-wide powers and the European Commission.

Mr Kohl's insistence on a delay in settling institutional reform took many people, notably Mr Blair, aback. They had assumed Amsterdam was the time to strike the deal. But Mr Kohl's move now looks more like a tactical retreat in order to secure the strategic goal of monetary union on January 1 1999.

If proof were needed that Emu is the only game in town, the final treaty text leaves the Maastricht language on monetary union untouched. Even the word "ecu" – European currency unit – has been preserved, despite the fact that EU leaders have already agreed to rename the single currency the euro.

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NEWS DIGEST

UBS guard escapes charges

Swiss prosecutors have dropped their criminal investigation into whether Christoph Meili, a Swiss security guard, broke Swiss bank secrecy laws when he rescued historical archives which were about to be shredded by Union Bank of Switzerland (UBS), the country's most powerful bank.

Mr Meili, 29, became the focus of international attention in January, when he removed 65 files from a UBS shredder and took them to a local Jewish organisation. The incident was particularly embarrassing for UBS and Switzerland, as it was seized upon by leading Jewish groups as evidence that banks were intent on destroying evidence of dormant Swiss bank accounts. UBS apologised for its "unforgivable error". Nonethless, Mr Meili lost his job with a security company and fled to the US after allegedly receiving death threats. Although UBS did not press charges, the Zurich district attorney's office had to investigate the matter, since Mr Meili had technically broken Switzerland's bank secrercy laws by removing files from bank property.

Last week the Swiss government passed the "Lex Meili", which will protect workers from dismissal if they supply information into the various investigations into Switzerland's war-time activities. *William Hall, Zurich*

■ WESTDEUTSCHE LANDESBANK

Brussels probes state aid

The European Commission yesterday formally opened an investigation into Westdeutsche Landesbank, Germany's third largest bank, which it suspects of having received unlawful state aid through the integration of housing development funds.

The Commission is concerned that a capital increase amounting to DM5.9bn ($3.3bn) contained state aid and allowed the bank to expand at a lower cost than private banks. WestLB is a 100 per cent publicly owned bank of public authorities in the German region of North Rhine-Westphalia. The Commission was acting on a complaint from the Federal Association of German Private Banks. The case dates back to January 1 1992, when the entire DM5.9bn capital of the Institute for the Promotion of Housebuilding (also 100 per cent owned by the public authorities of North Rhine-Westphalia) was transferred to WestLB. The Commission said that although part of the capital was tied to house-building promotion, WestLB could use at least DM2.5bn of the funds as capital for its own banking business. *Emma Tucker, Brussels*

■ FRENCH CARS

Slump in September sales

French new car sales remained depressed in September, tumbling by almost 40 per cent from the same month last year to 130,417 units.

The figures, published yesterday by the Comité des Constructeurs Français d'Automobiles, brought to 1.25m the cumulative total of new car registrations in the first nine months – a 24.4 per cent decline from the 1.65m clocked up in the corresponding period of 1996.

September should mark the low point, as far as year-on-year comparisons are concerned, since the incentive programme that inflated last year's figures artificially was discontinued on September 30 1996. Nonetheless, some observers now believe the full-year decline could be as much as 20 per cent.

French marques have continued to lose out to their foreign rivals, with registrations falling 43.4 per cent year-on-year in September alone and 25.2 per cent over the first three quarters. *David Owen, Paris*

■ HUMAN RIGHTS

New European court ratified

The new European Single Court of Human Rights in Strasbourg will become operational on November 1 1998 after ratification of Protocol 11 of the European Convention on Human Rights by Italy, the Council of Europe announced yesterday.

The new court will replace the part-time Court of Human Rights and Commission of Human Rights. The present court will cease operations on October 31 next year, but the Commission will continue to sit until October 1999 to finish examining cases it has declared admissible. The judges of the new court will be elected in January 1998 from nominations made by the 40 contracting states to the Convention. From November 1 1998 it will also be compulsory for states to recognise the right of individual petition to the court. *Robert Rice, London*

■ ROMANIAN INDUSTRY

Production drops by 7.4%

Romania's industrial production dropped by 7.4 per cent in August compared with the previous month, as the government's austerity programme continued to bite. In July, it fell by 10 per cent, and has now dropped 16.3 per cent compared with last year.

The fall can be attributed to tight monetary policy and high interest rates. Closures of loss-making state-owned factories suggested by the International Monetary Fund and World Bank are proceeding slowly, and do not yet seem to have affected production significantly. Although inflation in August rose to 3.5 per cent a month from only 0.7 per cent in July, this marks a great improvement over the start of the year, when monthly inflation rose to 30 per cent after the government freed the prices of basic goods. *Anatol Lieven*

■ MOTORWAY SERVICE STATIONS

Sale of Tank & Rast close

The German government is close to lining up a buyer for Tank & Rast, the publicly owned group which runs motorway service stations, in a deal which is expected to be worth between DM500m ($282m) and DM800m.

The sale is the latest stage of the federal government's privatisation drive. Politicians in the centre-right coalition insisted that the disposal was not connected with current arguments over how to finance a planned 2 percentage point cut next year in the "solidarity surcharge". This is the levy on income taxpayers which is used to fund the reconstruction of eastern Germany. Possible buyers for Tank & Rast are thought to be consortiums including the Mövenpick hotel and restaurant chain and Allianz, the insurance group. *Ralph Atkins, Bonn*

■ EU VAT

Commission considers cuts

Countries in the European Union should be allowed to drop the value added tax rate charged on labour-intensive services to help solve Europe's unemployment crisis, Mario Monti, the EU's single market commissioner, said yesterday.

The surprise announcement suggests a new flexibility towards taxation by the European Commission, driven by the need to tackle Europe's high jobless levels.

Mr Monti said he was considering setting up "experiments" in interested member states in which VAT on services such as hairdressing, shoe repairs and restaurants would be reduced. Only services which were local, and where a reduction would not disrupt the internal market, would be included. At the end of the experiments the Commission would judge whether the VAT reductions had a significant impact on jobs. *Emma Tucker*

Commission seeks commitments from members to reduce unemployment rates to 7%

Brussels presses for 12m new jobs

By Michael Smith in Brussels

The European Commission yesterday threw down a challenge to European Union member-states by backing controversial targets to create 12m jobs in five years and halve long-term and youth unemployment rates.

The Commission is also seeking commitments to a reduction in EU-wide unemployment rates from 10.6 per cent to 7 per cent by 1992, a cut in taxes and an increase in the proportion of jobless offered training from a tenth to a quarter.

The targets are among a range of measures Commission will present to EU leaders at a November summit on unemployment.

They are likely to cause concern among countries such as the UK and Germany, which are wary of over-prescriptive targets that could extend the Commission's reach into areas which are the preserve of states.

Even France, whose unemployment worries prompted the summit, is thought to be wary of targets. Spain, while supporting the targets, fears that countries with high unemployment, such as itself, could eventually face sanctions. However, the Commission yesterday rejected that possibility.

Jacques Santer, Commission president, and Padraig Flynn, social affairs commissioner, have argued that a summit without targets would be seen as ineffective.

Wary of potential opposition from member-states, they have avoided setting numerical targets for individual countries, leaving governments to draw up action plans implementing the broad recommendations which emerge from the November 20-21 summit.

Mr Santer said the Commission was not asking countries to perform miracles. "Let us avoid creating illusory hopes that will lead to disappointment. But we are asking countries to define employment as a priority of priorities."

Around 18m people in the EU were unemployed in mid-year, representing 10.8 per cent of the working population, a level little changed since 1993 in spite of a proliferation of job-cutting initiatives. The Commission estimates there are another 8m-9m people who would like to work if they could find a job.

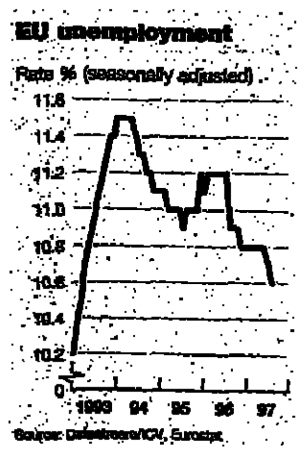
In its proposals, the Commission said the EU could cut unemployment to 7 per cent by raising the employment rate – the ratio of those with jobs to the total workforce available – to 65 from 60.4 per cent within five years. The long-term target should be 70 per cent.

Among other targets, the Commission called for every unemployed adult to be offered a job, training or work practice before being jobless for 12 months. This is aimed at reducing the long-term unemployed, who represent 48 per cent of the unemployed.

The Commission stressed its guidelines do not call for increased expenditure, but "rather a restructuring of expenditure, a reform of benefit and taxation systems and a move from passive income support measures to proactive policies".

The paper said that Ecu200bn ($222bn) is spent each year on labour market policies, but only a third goes to "active measures" designed to encourage people to get a job or training. The rest is spent on providing the unemployed with income benefits.

The package called for a new culture of entrepreneurship which should, it says, be fostered by reducing the tax burden on employing labour and developing markets for venture capital. Member-states will be encouraged to increase research expenditure from 1.9 per cent of gross domestic product to 2.5 per cent.



Source: Datastream/ICV, Eurostat

The Commission also wants states to adopt measures to increase the employment of women.

Although the Commission dismissed the possibility of sanctions against countries with high unemployment, Mr Santer said he hoped observance of the guidelines would be helped by "peer group pressure".

EU expects to meet emission curb target

Britain and Germany help to bring goal nearer

By Neil Buckley in Brussels

The European Union is set to meet internationally agreed targets for stabilising carbon dioxide emissions linked to climate change, European Commission officials said yesterday.

They made their prediction, which confounded earlier expectations, as the EU defended its controversial call for a cut in greenhouse gas emissions by 15 per cent by 2010. A paper adopted by the Commission said such a move would at worst reduce EU gross domestic product by 1.5 per cent, and could actually enhance GDP by 1 per cent.

The assertion that the EU will meet its target of stabilising carbon dioxide emissions at 1990 levels by 2000 will surprise environmentalists. But it could strengthen the EU's hand as it urges the rest of the industrialised world to sign up to its 15 per cent reduction target by 2010 at December's conference on climate change in Kyoto, Japan, where legally binding targets are to be adopted.

The Copenhagen-based European Environment Agency, the European Commission's own figures, and Eurostat, the EU statistical agency, had all previously suggested that the EU would miss the 2000 target.

Figures from Eurostat, published 18 months ago, suggested that although EU states were reducing emissions this was mainly due to short-term factors such as the European recession. Stabilisation at 1990 levels by 2000 was "still uncertain".

But Jorgen Henningsen, director of the Commission's environment quality unit and the EU's climate change negotiator, said yesterday EU-wide emissions in 1996 remained below 1990 levels, and latest forecasts were optimistic.

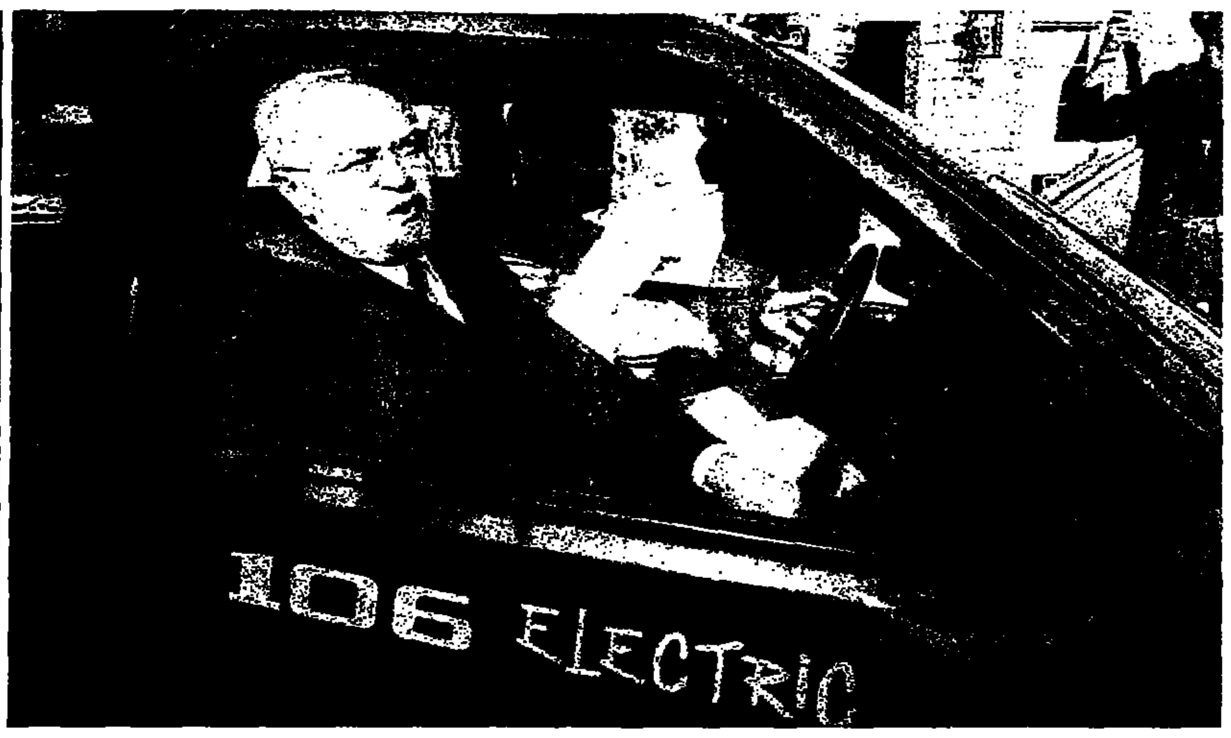
Unexpectedly large reductions from the UK and Germany – responsible for half of all EU emissions – coupled with lower than expected increases from France and Spain meant the 2000 total was likely to be at or below that of 1990.

"Our best, sober estimate is that we will meet the target," Mr Henningsen said.

The UK's communication to the Kyoto convention, he added, forecast a 6 per cent reduction in emissions between 1990 and 2000, due to the shift from coal to gas in electricity generation. Germany had already cut carbon dioxide levels by 12 per cent, thanks to the clean-up of heavily polluting industry in former East Germany.

Yesterday's Commission paper argued that a 15 per cent emissions cut by 2010 was both "technically feasible and economically manageable" – rejecting criticisms that it could damage the world's industrialised economies.

Brussels estimated direct compliance costs for the EU in 2010 at between Ecu15bn and Ecu35bn ($16.6bn-$38.8bn), or 0.2-0.4 per cent of GDP. Total GDP, it said, could even be enhanced, depending on the measures the EU chose.



Jospin shows way on pollution

Lionel Jospin, the French prime minister, (above) and four other government ministers travelled by electric cars yesterday to the weekly cabinet meeting with Jacques Chirac, the president, on the day that authorities in Paris introduced tough measures to combat pollution, writes Andrew Jack.

A ban on cars with even-numbered registration plates and an appeal by the government for commuters to use public transport helped cut traffic levels within the city boundaries by 15 per cent below normal levels. On the city's ringroad, traffic levels were reduced by 35 per cent, according to police. More than 100,000 Parisians attempted to call a free telephone number set up on Tuesday afternoon to provide information on the restrictions, although only a small fraction succeeded in getting through to swamped operators.

Dominique Voynet, the environment minister, said that pollution levels had dropped sharply yesterday and that the plan did not need to be extended any longer.

Editorial Comment, Page 17

Nato sets command structure deadline

By Alexander Nicoll in Maastricht

Nato defence ministers yesterday set a December deadline for resolving issues blocking the introduction of a streamlined military command structure for the organisation.

Efforts to solve a long-running problem were boosted when Alain Richard, French defence minister, clarified his government's intentions to his colleagues at a meeting in the Dutch town of Maastricht.

Although Mr Richard said France had no immediate intention of rejoining Nato's military arrangements, he indicated it wanted to play a full role in Nato's development and would not stand in the way of the new structure being put in place, officials said.

The need for progress on the issue has been given urgency by Nato's agreement earlier this year to admit Poland, Hungary and the Czech Republic as members in 1999.

The new command structure will reduce costs, with only 20 headquarters instead of 65. It will also be more international, because officers from outside the country of each HQ unit must make up 50 per cent of its staff instead of a minimum of 10 per cent previously.

France's long-running dispute with the US over who should be in charge of Nato's southern European forces has been the biggest obstacle. The commander has always been an American, because of the basing of the US navy's Sixth Fleet at Naples. But France argues that the commander should be a European.

Nato officials said Spain and Portugal were expected to announce an agreement on the command arrangements surrounding the Canary Islands. But there was no indication that the third outstanding issue, between Greece and Turkey, was any nearer resolution.

NEWS: ASIA-PACIFIC

Mahathir in new tilt at forex traders

By Peter Montagnon in London and James Kynge in Kuala Lumpur

A fresh onslaught against currency traders by Mohamad Mahathir, Malaysia's prime minister, prompted frenzied selling of the ringgit yesterday, taking it and other south-east Asian currencies to new record lows against the dollar.

On a visit to Chile, Dr Mahathir again asserted currency trading should be made illegal. In a tirade against the media and the International Monetary Fund, he said: "It is nauseating to read in some western magazines the obscene gloating over what they consider the fall of the Asian tigers."

"As in the case of Diana [the late Princess of Wales], where strenuous attempts are being made to exonerate the paparazzi and put the blame on the dead driver. . . the western press, and even the International Monetary Fund, are trying to blame everything on the governments of the Asian countries."

Dr Mahathir's remarks put him on collision course with the markets, one dealer in Singapore declared. Traders fear imposition of controls such as the recent abortive attempt to ban short selling of shares, dealers said.

At one stage, the ringgit fell to M$3.40 against the dollar before recovering to close at around M$3.3450 against M$3.2450 on Tuesday night.

The slide reinforced the downward trend of other Asian currencies, evident all week. The Indonesian rupiah and Philippine peso fell to lows against the dollar, of rupiah 3,460 and pesos 34.926 respectively. Equities followed suit, with Malaysian shares falling 2.3 per cent and the Indonesian market 1.8 per cent. Manila ended slightly higher.

Dealers said currencies were now clearly overshooting, but there seemed no end to the crisis, with the markets feeding off each other's fragility. This was underpinning interest rates. Even in Malaysia, so far reluctant to raise interest rates, three-month interbank money rose 40 basis points to 8.16 per cent yesterday.

Indonesian money market rates have retreated from their peaks, but remain high enough to give concern about the financial system. Dealers said the markets are now focusing on corporations which had failed to hedge their dollar borrowings in the hope currency weakness would prove only temporary.

One of the calmer spots yesterday was Thailand whose July devaluation sparked the crisis. Markets there have been reassured by the passage of constitutional reform through parliament, but though equities ended yesterday slightly higher, the baht wobbled in late trade after rumours, later denied, that finance minister Thanong Bidaya had offered his resignation.

Tankan paints gloomy economic view

Is bond market pessimism over Japan excessive, asks Gillian Tett

Six months ago, the economic debate in Japan centred on how quickly the economy could grow this year. Yesterday, a strikingly different question hung in the air: is the world's second largest economy now heading for recession?

For as the Bank of Japan published its authoritative survey of business sentiment, the markets delivered a damning response. The yield on long-term bonds fell below 1.8 per cent, the lowest figure on record anywhere in the world.

This fall is staggering – not least because in most other economies such a drop would normally be associated with a sharp recession. But such dramatic pessimism may be overdone.

Although Japan's short-term outlook is certainly far gloomier than the government expected, dissection of the Tankan report suggests stagnation – rather than full blown collapse – is the main theme of Japan's economy.

The headline numbers were undeniably worse than economists had expected. The proportion of non-manufacturing companies which felt optimistic about business conditions in the third quarter of the year, compared to those who were pessimistic, was minus 18 and minus 15 per cent respectively. This was sharply down from the previous quarter's levels of minus 11 per cent and minus 7 per cent, largely because of gloom among retailers and construction companies.

The government has blamed the weakness of the economy on its decision to raise consumption tax from 3 per cent to 5 per cent in April. Consequently, until recently it insisted any downturn should be limited to the summer – meaning that by the third quarter of the year the economy should be picking up again.

However, yesterday's survey, which was conducted in September, suggests the gloom has intensified into the autumn, and there is little sign of an early rebound.

Companies in all areas have been cutting growth forecasts for the next year: yesterday Hitachi, for example, reduced its pre-tax profit projections from Y110bn to Y70bn ($900m to $574m). Price competition is surging: the balance of companies expecting to increase output prices fell from minus 7 to minus 13, with a drop from 8 to zero for input prices.

Yet though this gloom is striking, what is equally notable – given the bond markets – is that few economists are forecasting a full-blown recession yet. One reason is that the Tankan results are still well above the levels seen in the 1993 recession. Another is that exporters are still reporting steady growth.

But on top of this, the Tankan contained two intriguing details. One is investment: large companies' investment plans remained unchanged in the quarter, and large manufacturers are – strikingly – forecasting a bigger increase in capital expenditure than at any point since 1991.

These plans may be optimistic: Mr Richard Koo of Nomura Research Institute, for example, believes "many companies are quietly rethinking these investment plans". But the Bank of Japan argues such capital spending could boost the economy in coming months.

But the other striking element is employment: so far there is little sign companies are planning to lay off workers. This may reflect a typical Japanese pattern of cutting overtime, rather than staff, in a downturn.

But it may also have implications for consumer spending which accounts for three- fifths of the economy – rather more than manufacturing. Though spending has been dented by the recent tax increases, it is unclear whether it is on a longer term downward trend.

As Mr Jesper Koll of JP Morgan says: "The negative inventory cycle is not yet forcing downward adjustment to employment and wage levels. As such, a slip into recession is unlikely".

Whether these factors will be enough to offset the business pessimism will not become clear for several months. Meanwhile, some houses, including JP Morgan itself, are suggesting that bond yields could fall to 1.5 per cent soon.

But the bond markets have often overshot before. Japan's government has every reason to hope they are behaving in a similarly exaggerated fashion now.

HK joins China's celebration

Hong Kong celebrated China's National Day for the first time yesterday with a sea of red flags, a military fly-by and a gala fireworks show, Reuters reports from Hong Kong.

Fireworks lit up the night sky over Victoria Harbour, the world's busiest port, as China's national anthem was played to start a two-day holiday which drew crowds of thousands to the water front.

People began gathering as much as six hours early for the HK$3.8m (US$491,000) show, involving 19,000 rockets fired into the night sky from four barges in Hong Kong's harbour.

A small boy watches flag-raising ceremonies on China's National Day yesterday Reuters

NEWS DIGEST

NTT to extend early retirement

NTT, Japan's largest telecoms carrier, has expanded its early retirement scheme in an attempt to strengthen corporate structure before its break-up into three separate carriers in 1999.

The newly enlarged scheme will extend an early retirement programme introduced in 1992 to more employees. Under the earlier scheme, only employees between the ages of 45 and 55 who have been with the company for over 10 years were eligible for early retirement benefits. The new scheme extends to employees between 40 and 57 who have been employed by NTT for over 10 years.

NTT said it had no specific target for personnel reduction but about 2,000 to 3,000 employees had signed up for its existing plan each year. The new plan will be in effect for 1½-2 years from September.

The company, which had an employee count of 182,500 at the end of March, has been stepping up its personnel cuts in recent years, bringing the total to below 200,000 two years ahead of schedule. *Michiyo Nakamoto, Tokyo*

■ INDONESIAN CRASH

Weather eases for searchers

Heavy rain in Indonesia eased yesterday, aiding the search for the "black boxes" still missing after a aircraft crash that killed 234 people last week. Soldiers, volunteers and aviation investigators from Britain, the Netherlands and Indonesia searched the jungle highland crash site for the flight data and cockpit voice recorders that could shed light on what caused the crash.

"The search could be more difficult and could take longer than we had first thought," said the chief investigator, Oetargu Diran. Other searchers feared the black boxes might be buried under meters of mud.

Meanwhile, the Indonesian air communications director is starting the first-ever audit of the national flag carrier, Garuda Airlines, to determine if it is complying with safety standards, local newspapers reported.

Garuda has canceled all further Airbus flights between Jakarta and Medan until the crash investigation is completed. The communications minister, Haryonto Dhanutirto, who is in charge of transportation, has said it could take eight months. *AP-DJ, Buah Nabar, Indonesia*

■ AUSTRALIAN STRIKE

Miners stop work at 52 mines

More than 7,000 Australian miners began a 72-hour stoppage yesterday at 52 mines in the state of New South Wales, shutting down a third of the nation's coal industry.

They were protesting at legal action taken by Rio Tinto, the mining giant, against pickets at a three-week-old strike at a mine in the Hunter Valley.

The Australian Industrial Relations Commission was called on to stop the strike after talks called by Bob Carr, premier of New South Wales, between the miners' union and Rio Tinto failed to resolve the dispute.

John Maitland, general president of the Construction, Forestry, Mining and Energy Union, warned the stoppage could spread nationwide as others joined to protest against the government's tough new industrial relations laws. The strike at Rio Tinto's mine by 490 miners follows a six-week strike over work practices earlier this year.

● Miners at Atlantic Richfield's Gordonstone coal mine in Queensland will meet today to discuss Friday's announcement that more than 300 workers would be sacked. *Elizabeth Robinson, Sydney*

Markets likely to be tough on Bangkok's bid to finance restructuring of its financial system

Thais plan $10bn bond issue to fund reforms

By Ted Bardacke in Bangkok and Edward Luce in London

Thailand is planning to issue up to $10bn-worth of bonds on the global markets to finance restructuring of its financial system, government officials said yesterday.

The issue, into what are expected to be tough market conditions, would be to fund a government-owned asset management company that will take over bad assets and some liabilities of the 58 finance companies whose operations have been suspended, and perhaps some bad debts from commercial banks.

The issue would be through the Export-Import Bank and Industrial Finance Corporation of Thailand, two state-owned financial institutions with experience in raising capital overseas.

Thailand's last big venture into the international capital markets was in April this year, when it raised $600m in Yankee bonds. The country has been downgraded by rating agency Standard & Poor's since, and the rating outlook remains negative.

The spread on this bond, which was not considered a successful issue, has nearly doubled to almost two percentage points over US Treasury bonds since it was launched.

Details of the plan, which is believed to have been based on extensive consultations with investors and economists at the recent International Monetary Fund meeting in Hong Kong, are still being worked out. A full outline of the issue will be presented on October 15, along with Thailand's much-predicted scheme to restructure its financial system, officials said.

Bond analysts say that the $10bn figure, which amounts to approximately 5.5 per cent of gross domestic product, will severely test international appetite for Thai debt over the coming weeks. "If Thailand had difficulty persuading investors to buy its $600m bond in April, how is it going to persuade investors to buy $10bn-worth?" asked a syndicate manager in London.

Roger Lister, senior analyst at Citicorp Securities in New York, said the move would catapult Thailand into the league of mainstream emerging market bond issuers. Unlike Latin America, most Asian countries, including Thailand, have until now been relatively small-scale borrowers on the international bond markets. The $10bn bond programme would almost double Thailand's outstanding global bond obligations.

"This will have major repercussions for Thailand's international standing," said Mr Lister. "Investors want uncertainty priced into bond spreads, which in Thailand's case is very high at the moment."

Most analysts believe the price tag for financial system restructuring will eventually be in the range of 10 per cent to 15 per cent of GDP, although if capital flows back into Thailand, and interest rates can come down, the ultimate figure could be significantly lower as bad loans would start to come good.

Analysts said the success of the bond issue was likely to depend on whether Thailand was able to meet its target of a 1 per cent of GDP fiscal surplus next year suggested by the International Monetary Fund. That surplus is designed to cover interest payments on money the government will have to borrow for its financial system clean-up.

The privatisation of state enterprises is another expected source of funds, although the deputy prime minister, Thaksin Shinawatra, said on Tuesday he did not expect a master plan for privatisations to be ready until at least March next year. Most analysts expect the government led by Chavalit Yongchaiyudh, the prime minister, will have called elections by then, thus delaying the privatisation process even further.

NEWS: THE AMERICAS

Pilot deal to spur $14bn Airbus order

By Richard Tomkins in New York

US Airways, the sixth biggest US airline, has reached a tentative agreement with its pilots' union that opens the way for the company to confirm a $14bn aircraft order with Airbus Industrie and implement plans for a big expansion.

Reversing years of downsizing and decline, US Airways plans to start new transatlantic services, set up a network of low-cost domestic services that will slash air fares on the US east coast, expand its airport hub in Philadelphia and establish a new hub in the Midwest.

The Airbus contract had played a key part in the negotiations because Stephen Wolf, US Airways' chairman and chief executive, had threatened to let the order lapse if the pilots' union failed to agree a new labour deal before it expired at midnight on Tuesday.

The labour agreement now has to be ratified by the pilots, a process expected to take three weeks. Airbus has agreed to extend the deadline for the order.

The 400-aircraft contract, placed by US Airways in November last year, is the biggest won by Airbus, and represents a big foothold for the company in a US market dominated by Boeing. It includes firm orders for 120 aircraft, orders for another 120 subject to confirmation, and orders for 160 more, to be scheduled at a later date.

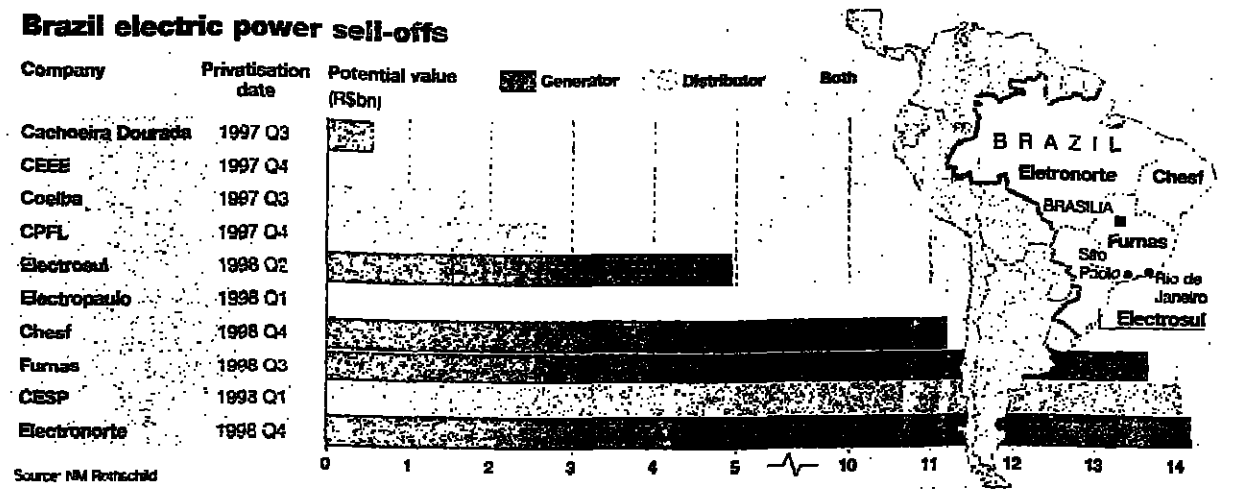
For US Airways, the deal ends more than a year of negotiations with its pilots' union, during which Mr Wolf had warned that the company had no future as a large airline unless it could get its costs at a more competitive level.

A key feature of the deal will allow US Airways to set up a low-cost airline-within-an-airline, dubbed US2 in the negotiations, which will be able to compete on short-haul domestic routes with low-cost competitors such as Southwest Airlines and Delta Air Lines' Delta Express subsidiary.

Pilots working for the low-cost airline, which will account for up to 23 per cent of US Airways' total flying time, will have their pay cut to 1 per cent above the level paid by Southwest and Delta Express. The other US Airways pilots will get 1 per cent more than pilots working for the four biggest US carriers. The pilots will be compensated with US Airways stock or a share of the company's profits.

● United Airlines, the biggest US carrier, said it had reached a tentative agreement with its pilots' union that would let the airline's United Express commuter airline partners start flying regional jets as well as propeller-driven aircraft.

Brazil tries to keep lights burning



Source: NM Rothschild

When Pope John Paul visits Rio de Janeiro over the next few days, it is just possible the lights will go out in São Paulo and everyone will reach for candles. If so, the cause will be Brazil's creaking electric power network rather than divine intervention.

São Paulo State faces the risk of power cuts until the clocks go forward to mark the beginning of Brazilian summer time. And with the Pope setting off today on his trip to the world's largest Roman Catholic country, the Brazilians have put off the complication of switching from summer time until next Monday, the day after his departure.

"Peak demand is 5 per cent higher in winter than it is in summer," says Mauro Arce, a director at CESP, the state's electricity generation company. "We could still see some problems before the hour changes."

São Paulo's papal dilemma is not unique: in several other places around the country the system is not far from breaking point.

With demand for electricity growing at around 5-6 per cent a year, Brazil could suffer serious power shortages or rationing in the coming years, which would damage its economic prospects.

The government has taken a number of imaginative steps to avert a crisis. Reflecting the new spirit of co-operation in the region, Brazil has contracted to buy large quantities of energy from Argentina. It is also constructing a transmission "super-line" to bring excess power from the north to the industrial south.

But the only real solution is new generation capacity. Analysts estimate Brazil needs investment of US$6bn a year just to keep up with rising demand.

It is this need for new funds that is motivating the government to push a huge and rapid privatisation programme of the energy sector. Almost every state-owned power distribution and generation company will be put up for sale over the next two or three years.

José Pio Borges, head of privatisation at the National Development Bank (BNDES), estimates the sales will raise US$45bn – the largest privatisation exercise in Latin America.

Four distribution companies have already been sold, along with one generation company, Cachoeira Dourada in Goias State.

São Paulo, which has an energy network larger than Argentina, is scheduled to begin its privatisation programme in November with the sale of CPFL, a distribution company, for a minimum price of R2.1bn (US$1.9bn). The sale of the four Eletrobrás generation companies is due to start early next year.

But simply selling the companies is not enough. The government also needs to put in place a structure for the industry which will encourage new investment after privatisation.

In June, it published an outline model put together by its advisers, Coopers & Lybrand, and it is trying to agree a final blueprint with the interested parties before the sale of the big generation companies can commence.

Yet the process is being held up by a number of political battles between vested interests over the future shape of the sector. The resolution of these conflicts could have a profound influence on future development of the industry.

One of the toughest fights concerns the future of the transmission system. Although it may be privatised in the long term, bankers say Eletrobrás is trying to keep transmission under its control meanwhile.

However, the BNDES wants the network to be leased to an independent operator, which would be responsible for all dispatch and billing and which would keep transmission tariffs at a low level. This would encourage generators to expand capacity in the knowledge that excess supply can be cheaply and efficiently transferred to other areas of the country.

"Potential buyers of generation assets cannot work out the marginal cost of new investment without knowing what the transmission costs are," says a banker involved in the privatisation process.

The other key issue still not settled is the future of generation rates, which are low in Brazil by international standards – generally below US$35 per MWh.

The higher the price, the greater the incentive to install new capacity and the higher the bids the government will receive from privatisations. But the government has to balance these benefits with the economic impact of higher rates on industrial competitiveness and the political effect on consumers.

The structure of the contracts between generators and distributors will determine the future direction of rates.

Geoff Dyer

NEWS DIGEST

US output still strong

The recent frenetic pace of US manufacturing activity slowed last month, though output remained on a firmly upward trend, according to an influential survey of the nation's purchasing managers.

The National Association of Purchasing Management said its main index, which measures activity in the manufacturing sector, dropped to 54.2 in September from the previous month's 56.8. It was the second straight monthly fall for the index and suggested the rate of growth of factory output may have peaked over the summer. The report lifted financial markets, as it appeared to ease fears that the recent strong growth might start to produce inflationary pressures, forcing the Federal Reserve to raise interest rates.

Gerard Baker, Washington

■ CANADIAN ECONOMY

Central bank raises rate

The Bank of Canada has raised its key interest rate in a pre-emptive strike against inflationary pressure, following indications that the Canadian economy is picking up momentum.

The central bank raised its bank rate by 25 basis points to 3.75 per cent – a day after a report that Canada's real gross domestic product rose 0.8 per cent in July, almost double the expected increase. The bank, which also raised its operating band by 25 basis points to between 3.25 per cent and 3.75 per cent, said it acted on growing evidence that the Canadian economy was expanding rapidly and absorbing unused capacity.

The bank said the economic momentum had occurred largely because of the substantial monetary support that had been provided to offset the effects associated with private and public sector restructuring.

Scott Morrison, Vancouver

■ CHILE BUDGET

Fiscal surplus foreseen

The Chilean finance minister, Eduardo Aninat, presented Congress yesterday with a balanced budget for 1998, with an estimated fiscal surplus of 4.5 per cent of gross domestic product. However, the growth rate of government spending at 7.4 per cent will again run ahead of projected GDP growth next year of 6.5-7 per cent.

José Yañez, a fiscal expert at the University of Chile, said this was "the wrong signal" from a government which was committed to reducing annual inflation to 3 per cent and which urges the private sector to practise austerity.

Social spending has increased steadily over the past seven years since the return to democracy in 1990, and in next year's budget it represents 72 per cent of the total $20bn. This year's budget debate will be influenced by congressional elections in December.

Imogen Mark, Santiago

■ ACCOUNTING STANDARDS

Warning on derivatives

Susan Phillips, a member of the Federal Reserve board of governors, told the US Congress yesterday that a proposal on derivatives rules by the Financial Accounting Standards Board (FASB) might discourage good risk management, fail to improve transparency and be costly.

Ms Phillips also hinted to the House sub-committee on capital markets, securities and government sponsored enterprises that the plan could be costly. "The proposal may cause significant systems changes for institutions that hedge with derivatives," she said, adding they would come as companies must also make systems changes to accommodate year 2000 issues.

The controversial rules on accounting for derivatives – financial instruments with a value based on an underlying asset or commodity – have already come under fire from the Fed chairman, Alan Greenspan, and some members of the banking community.

But Arthur Levitt, chairman of the Securities and Exchange Commission, which oversees the FASB, supports them. He argues the rules are necessary to help investors better understand the finances of the companies they invest in.

AP, Washington

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NEWS: WORLD TRADE

Yeltsin hits at US threat on Iran

By John Thornhill in Moscow, David Owen in Paris and Guy de Jonquières in London

Russian President Boris Yeltsin yesterday condemned US threats to act against a $2bn gas deal with Iran, as France adopted a more emollient tone.

The US is investigating the deal, in which Total of France, Gazprom of Russia and Petronas of Malaysia are partners, under the Iran-Libya sanctions act. The law calls for sanctions on foreign companies investing more than $20m in Iran's energy industry.

"Russia, France, and Iran are all independent freedom-loving states and it is impermissible for others to interfere and dictate which documents we can sign and which we cannot," Mr Yeltsin said.

France appeared to soften its public line in a foreign ministry statement which emphasised its attachment to "Franco-American friendship" and its "fierce determination" to fight terrorism.

But the ministry also stressed that its general stance towards Iran, which it characterised as a "critical dialogue without complacency", was identical to the European Union's position.

Paris said this tied Iran's re-admission to the international community to four conditions: its attitude to terrorism, respect for human rights, respect for the Middle East peace process; and willingness to abide by international conditions relating to weapons of mass destruction.

The foreign ministry did not comment directly on France's likely response to US suggestions that Washington might grant Total a waiver from sanctions legislation if the EU took a tougher stance towards Tehran. Some French officials suggested privately that one response might be to delay further the return to Tehran of EU members' ambassadors, who were recalled after a German court ruling in April that Iran was behind the 1992 killings in Berlin of Kurdish opposition figures.

There were also indications that attempts might be made to portray this month's European Commission decision to block imports of pistachio nuts from Iran as one example of a tougher stance. The decision came after batches of contaminated nuts were discovered.

But there was scepticism in other European capitals over whether such gestures would be enough to satisfy the US. President Clinton told Congress last week the EU still had to do more to apply pressure to Iran to qualify for a sanctions waiver.

It is widely acknowledged that Mr Clinton needs a credible package of concessions from Europe in order to resist pressure in Congress to impose sanctions.

Yeltsin: 'Others cannot dictate what we sign'

Online service to bypass trade bar

By Michiyo Nakamoto in Tokyo

NEC of Japan is planning to set up a supercomputer service business – possibly in Canada – in order to stay in the US market, after US authorities imposed 454 per cent anti-dumping duties.

"What users want is not the supercomputer itself but speedy and accurate calculation services provided by advanced computers," said Yukio Mizuno, in charge of technology strategy at NEC. The move comes as NEC is poised to appeal against a ruling by the US International Trade Commission to impose punitive duties on Japanese supercomputers. The ITC found for Cray Research, which filed a complaint last summer accusing NEC of winning an order from the National Science Foundation at a loss of $6m. The order would have been the first US government purchase of a foreign supercomputer.

The Japanese government plans to ask the US government to clarify the process behind the decision. The investigations conducted by the US government "lacked transparency" said Mitsuo Horiuchi, minister of international trade and industry.

The ITC's ruling has made it impossible for Japanese supercomputer manufacturers to do business in the US market.

However, NEC will try to cultivate customers in the US by taking on orders for scientific calculations and sending clients the results on-line. "Supercomputer business will in future be centred on services using networks, so trade friction over exports of hardware will become meaningless," Mr Mizuno said.

Japanese supercomputer makers are not expected to suffer significant business loss, however, since most of them do not have much of a track record in the US market anyway.

NEWS DIGEST

EU plan for shipyard aid

The European Commission yesterday proposed an end to operating aid for the European Union's shipbuilding sector after 2000; this would take effect whether or not a deal in the Organisation for Economic Co-operation and Development to cut most state support comes into force. Instead, other kinds of support, such as investment aid and support for research and development will be granted to boost the industry's strength on world markets where it faces competition from Korean and Japanese shipyards.

Martin Bangemann, European industry commissioner, said state support should improve the sector's competitiveness rather than just finance new ships. Under current rules, governments are allowed to grant shipyards aid of up to 9 per cent of a ship's contract value.

But the Commission said operating aid distorted competition and resulted in significant costs for EU member states, and should only remain legal until the end of 2000.

Between 1990 and 1995, EU governments granted operating aid worth Ecu5bn ($5.5bn). "It is proposed that instead the focus should be switched to other forms of support, such as investment aids for innovation better geared towards encouraging industry to adapt to the challenges it faces," the Commission said.

If adopted by EU industry ministers, the rules on shipyard support would take effect on January 1, 1999, unless an OECD agreement to cut most state aid is implemented before then. *Reuters, Brussels*

■ FAST-TRACK LEGISLATION

Economists issue warning

The US will hurt poor countries and impede freer world trade if it includes requirements on labour and environment standards in the fast-track trade legislation requested by President Bill Clinton, more than 50 US international economists said yesterday.

They said US insistence on such requirements, in the face of wide international differences about appropriate standards, would "slow down or even possibly halt the opening up of world markets through trade-liberalising negotiations."

The World Trade Organisation was not equipped to address human rights and environmental issues, and introducing them into the WTO would reduce its effectiveness in promoting open markets.

The signatories included Robert Baldwin, Jagdish Bhagwati, Gene Grossman, Anne Krueger, Ed Leamer and Robert Stern. *Guy de Jonquières, London*

■ SAUDI PETROCHEMICALS

ABB wins $500m contract

ABB, the Swiss-Swedish engineering group, has won a $500m construction contract to increase the capacity of the Yanpet Petrochemical Complex in Saudi Arabia. The complex is a joint venture between Mobil Yanbu Petrochemicals, a subsidiary of Mobil, and Saudi Basic Industries Corporation (SABIC), the largest petrochemicals producer in the Middle East.

Under the contract ABB will build an ethylene plant with an output of 800,000 tonnes a year, doubling the existing facility in the complex. The plant is scheduled to be completed by 2000. Earlier this year ABB won a $150m contract to build an electricity sub-station in Gubail in the Arabian Gulf. *Arkady Ostrovsky, London*

EBRD funds cellphone network in Romania

By Kevin Done, East Europe Correspondent

The European Bank for Reconstruction and Development and a syndicate of commercial banks are today expected to complete the biggest private sector project financing yet agreed for Romania to fund the development of one of two rival national mobile telephone networks.

The banks are providing $190m to MobiFon, which is planning to invest $370m during its first three years of operations, to build a GSM phone network across Romania.

MobiFon, 60 per cent owned by Telesystem International Wireless of Canada, was awarded one of two GSM licences by the Romanian government in December last year. It claims to have achieved the fastest start-up of any mobile phone operator in the world and launched its initial service in April in 10 cities.

MobiFon, which operates under the brandname Connex GSM, covers around 35 per cent of the Romanian population and is planning to raise this to 89 per cent by the end of 1998.

It is facing fierce competition from rival operator Mobil Rom, 51 per cent owned by France Telecom and which launched its network in June.

Demand for mobile services in Romania has exceeded the most optimistic forecasts of the two GSM operators. MobiFon, which expected to gain about 25,000 subscribers by the end of the year, has doubled this forecast to more than 50,000.

Romania still has one of the most underdeveloped telecommunications networks in central Europe, but the service is expected to improve rapidly by the end of the decade, supported by the planned privatisation of Rom Telecom, the national telephone utility.

Telecommunications is expected to be at the forefront of a surge in foreign investment as Romania seeks to catch up with reform in other east European countries. The financing for MobiFon is a significant step involving international banks in private sector financing, particularly for loans with long maturities. There will also be a four-year grace period for repayment of principal.

Under a complex deal, the EBRD is providing a $65m nine-year loan as well as $10m of quasi-equity. Under the same terms, the Export Development Corporation, the Canadian export promotion agency, is to provide a $25m loan and the Nordic Investment Bank, $20m.

Separately, a $70m loan with an eight-year maturity is to be provided by a syndicate of commercial banks including ABN Amro, Creditanstalt, Canadian Imperial Bank of Commerce, De Nationale Investeringsbank of the Netherlands, Raiffeisen Zentralbank, Union Bank of Switzerland and Dresdner bank.

The EBRD, which has been the sole manager of the syndication, is increasing the scope of its activities in Romania, which has overtaken Poland and Hungary to become its second largest country of operations in value terms.

Mobil Rom is negotiating a separate financing deal with the International Finance Corporation, which has approved a $170m package including $120m of syndicated loans, a $40m IFC loan and $10m of quasi-equity also from IFC.

Big Three in Super 301 talks

By Nancy Dunne in Washington

President Bill Clinton will today meet the Big Three US vehicle makers at the White House to discuss their concern about trade and foreign markets.

The meeting follows yesterday's release by the US trade representative of the so-called "Super 301" list of nations accused of unfair trading practices. South Korea was placed on the "watch list".

Mike McCurry, White House spokesman, said the meeting between Mr Clinton and the chief executives of General Motors, Ford and Chrysler would be about trade, the opening of US markets for foreign vehicle makers, the general status of the economy and any other issues the industry might want to discuss.

US vehicle manufacturers have become increasing alarmed about their market share in Japan. Sales there have dropped by 15.4 per cent from January to July this year compared to the same period in 1996. Sales in July 1997 fell 23.5 per cent against July 1996.

The American Automobile Manufacturers Association said Japan was lagging behind the "expectations" of the 1995 bilateral motor trade pact.

It urged the trade representative to identify practices impeding the agreement's success as actions that may in future warrant identification on the Super 301 list.

However, Japan's domestic car sales have been dropping since the introduction of a consumption tax on April 1. Tokyo said yesterday domestic car sales fell 9.3 per cent in the six months to September compared to the same period in 1996.

All the major Japanese vehicle companies reported declines in sales during September, except for Suzuki and Fukji Heavy.

Ford said the companies wanted to discuss climate change at their meeting with the president.

Mr Clinton is under strong foreign pressure to agree to more stringent levels of greenhouse gases, and the car companies fear a tougher regime will make them their products more expensive and less competitive overseas.

NEWS: INTERNATIONAL

Ailing Hamas leader freed 'in shady deal'

By Judy Dempsey in Jerusalem

Israel yesterday released Sheikh Ahmad Yassin, the spiritual leader of Hamas, the Islamic Resistance Movement, and immediately deported him to Jordan amid speculation of a deal involving the return to Israel of two alleged Mossad intelligence agents.

The Israeli army said Sheikh Yassin was pardoned and released due to his "long-standing and deteriorating" medical condition. The Hamas leader was jailed for life in 1989 for complicity in the kidnapping and murder of two Israeli soldiers.

Palestinian and Hamas officials condemned the deportation, saying Israel had arranged a "shady" deal with Jordan in order to release two alleged Mossad agents who they claim were involved in last week's botched assassination attempt on Khaled Meshal, a Hamas leader living in Jordan.

Samir Mutawae, Jordanian information minister, said there was "no connection between the two events". The two men, carrying Canadian passports, were being interrogated, he added.

Israeli officials, declined comment on any deal. "I have nothing to say," said Moshe Fogel, the government spokesman. He admitted, however, that Israel did not want Sheikh Yassin, aged 61, to die in prison since "he would have been turned into a martyr and we feared repercussions".

This is the second time in six months that Israel has used Jordan to deport Hamas leaders. Last May, the US deported Musa Abu Marzook, a senior Hamas official, to Jordan even though Israel had repeatedly demanded his extradition, only to refuse to accept him once the US agreed.

"Israel always exports its problems and I think it wants to export the health problem of Sheikh Yassin," said Mr Abu Marzook, adding that the failure of the Mossad operation had influenced events.

He said he believed Israel was also trying to sow divisions between Jordan and the Palestinian Authority after the PA's requests for Sheikh Yassin's release had been repeatedly turned down.

King Hussein was apparently furious with Israel over the assassination attempt on Mr Meshal, although he refrained from directly naming it. If the claims are true, Israel risks further undermining the already strained relations with its closest Arab ally.

"We will not accept that our country be a base for conspiracy against anyone," the king said in a speech on Tuesday in which he also called for the release of Sheikh Yassin.

The speed with which Israel responded to King Hussein's request suggests a well co-ordinated decision. Within hours, a Jordanian medical helicopter had flown to the prison near Tel Aviv and brought back Sheikh Yassin, with an Israeli military escort to the Jordanian border. The king personally greeted the Hamas leader. Sheikh Yassin said he would be coming back to Gaza soon after treatment in Jordan.

NEWS DIGEST

UN rejects Gulf war claim

The United Nations body dealing with reparations to Gulf war victims has disallowed the bulk of an Egyptian government claim on behalf of more than 1m workers who lost remittances at the start of the war.

The commission endorsed an expert panel report recommending payment of $84.4m covering 224,000 workers, less than a fifth of Egypt's original claim for $491m on behalf of 1.24m individuals.

The claim related to remittances deposited by Egyptian workers in Iraqi banks for transfer to Egypt, which were lost when Iraq invaded Kuwait in August 1990. However, the panel said only remittances deposited in the month before the invasion qualified for reimbursement, a month being the average time for a deposit in Iraq to arrive in banks in Egypt.

The commission, set up in 1991, is working its way through claims totalling $200bn from individuals, companies and governments seeking compensation for losses suffered by Iraq's invasion of Kuwait or its six-month occupation. *Frances Williams, Geneva*

■ RWANDAN MASSACRE

UN pulls out investigators

A United Nations team sent to Congo, formerly Zaire, to investigate the alleged massacre of thousands of Rwandan Hutu refugees is being withdrawn following a further bid to hinder its inquiry. President Laurent Kabila has raised repeated objections to the inquiry but, in late August, Bizima Karaha, Congo's foreign minister said the investigation could proceed. However, new objections were raised yesterday and the UN said that for more than a month the 23 investigators had been unable to leave Kinshasa. *Michael Littlejohns, New York*

■ NIGERIAN POLITICS

Abacha seeks backing

Sani Abacha, Nigeria's military ruler, yesterday confirmed his grip on power after rumours of sickness, but did nothing to end uncertainty over his own ambitions or political detainees. Gen Abacha, in a broadcast marking 37 years of independence from Britain, told dissidents to back his plan to restore civil rule next year. He did not say if he would stand in the elections he has decreed.

The general did not attend yesterday's traditional independence day parade, with no official explanation given. It was the first time in many years that a Nigerian head of state missed the display, though Gen Abacha rarely appears in public.

Many Nigerians had advised Gen Abacha, who seized power amid the chaos unleashed by the annulment of a presidential election in 1993, to announce the release of the presumed winner of the annulled poll, Moshood Abiola.

Under Gen Abacha's transition programme, he will hand over to an elected president this time next year, and some political commentators have said freeing detainees would lower the political temperature and allow for negotiations to resolve the political impasse peacefully.

Mass opposition has dwindled in the face of detentions and police suppression of demonstrations. Political analysts say interest in the transition plan is also low, and politicians are wary of openly declaring presidential ambitions until they know whether they would have to challenge Gen Abacha. *Reuters, Abuja*

How to sell the world's water industry

Water is the poor relation of privatised industries. John Barham examines why

Water is the last frontier in privatisation around the world. Governments are selling off power stations, telephone networks and other infrastructure, but water languishes as the poor relation of public utility business.

Although water is often regarded as so basic to human life that it cannot be treated like any other commodity, it is becoming so scarce in some developing countries that it now commands high prices.

Declan Duff, a director at the International Finance Corporation (IFC), the World Bank's lender for private sector projects, says the poor are prepared to pay very high prices for water. In Haiti, they spend 20 per cent of their income on water bought from local vendors. Elsewhere the rate varies between 5 and 9 per cent.

However, few governments accept that the laws of supply and demand should balance the needs of consumers with available water resources or allow companies to finance investments by making profits. Yet water supplies dwindle as populations grow, the pace of urbanisation accelerates and climate change affects reliability of water sources.

At an international conference on the water industry in Istanbul this week, Mr Duff said that by 2025 about 1bn people could suffer water shortages unless governments adopted "radical change" to ensure reliable water supplies.

Many governments lack the financial and management muscle to embark on large investments, yet are reluctant to start full-scale privatisation which would impose the rigours of market pricing on consumers. The World Bank says poor countries should spend $600bn on water in the next 10 years.

Few other public services are as politically sensitive as water. This means that techniques developed to privatise electricity or telephone utilities are rarely directly applicable to water.

David Suratgar, deputy chairman of Morgan Grenfell International, a London-based investment bank, says sources of finance for water are virtually the same as those for power, ports, tunnels and roads. The water industry, however, presents special risks that make such projects unique.

Financiers at the conference say most water privatisations tend to be too politically, economically and financially risky for banks or capital markets. Finding finance for existing water networks is hard because they offer limited security to lenders. Banks cannot dig up pipes to recover loans. New greenfield projects are just as hard to finance because they normally require little imported equipment financeable by soft loans from export credit agencies and have no proven income stream. However, a handful of utilities, led by British and French water companies, have signed deals in developing countries to manage existing water systems or build new ones.

In Turkey, Thames Water of Britain, is leading an $864m greenfield project to provide drinking water to 1.2m people in the city of Izmit, 100km east of Istanbul. In Buenos Aires, Lyonnaise des Eaux, the private French water company, took over the entire network as a concession.

The Buenos Aires privatisation demonstrated how quickly private management can reverse decades of decline. Within months the new operators made 640,000 new connections, while raising both the quality and quantity of the water supply. Wider economic reforms, fiscal stability, sound regulation and strong federal government support were essential to the project's success.

The Izmit project took seven years to negotiate, but broke new ground in financing. It is the largest private water project in the world and the first to be built under Turkey's build-operate-transfer rules. These allow a contractor to build a project and operate it to turn a profit before transferring it to the state. Izmit is to revert to the state 15 years after it begins operation.

Thames put together a consortium of local private contractors, the municipality and two Japanese trading houses which raised debt finance guaranteed by the central government for 85 per cent of the project's cost.

Although the number of water-related privatisations or private management schemes is increasing, they are still small in relation to power or telecoms privatisations and small in relation to the size of the public industry.

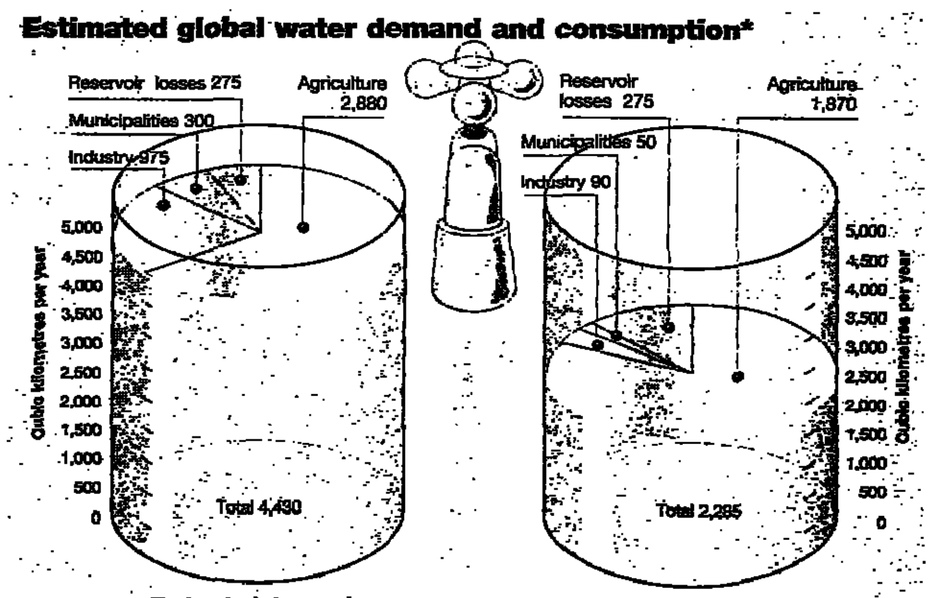
However, Bill Alexander, chief executive of Britain's Thames Water, expects highly profitable, if risky, overseas contracts mainly from Asia to provide 10 per cent of his company's earnings by the year 2000.

The IFC's Mr Duff suggested governments and lenders could limit risk by introducing more guarantees and non-commercial risk insurance. Local authorities, criticised in many countries for inefficiency, excessive interference in their water companies and lax financial discipline, should adopt international accounting methods and submit to gradings by international credit rating agencies.

But this is no substitute for public policy and market-oriented reform, and neither can it substitute putting a market price on water, the most basic reform.

By making water valuable, governments can improve conservation, increase supplies and even make water as glamorous as telecoms and power.

Estimated global water demand and consumption*



Source: Worldwatch Institute

*by sector, c.1990

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SIEMENS NIXDORF

INFORMATION TECHNOLOGY IT WORLD NEWS

USER CENTERED COMPUTING Siemens Nixdorf

Modern information technology is a crucial success factor in today's global competition. Often enough, fast, secure access to the right information offers a key competitive edge. Which is why Siemens Nixdorf is pursuing a clear philosophy: Custom-tailored concepts that put the focus squarely on the user and his business processes.
Fast application development, efficient systems integration and global networking are the centerpieces in this context. And the concept is supported by a broad portfolio of infinitely scalable hardware that ranges from network PCs all the way to clustered high-end computers. To produce open IT solutions that flexibly interlink the standardized components and open up new opportunities for the user. For banks or telecoms, government agencies, manufacturers, retailers or transportation providers – User Centered Computing means: Solutions that make for a perfect fit. For users from all industries. Around the globe.

Rome: Workflow concept puts new life into Telecom Italia's customer service.

Telecom Italia is gearing up for the pan-European market with a comprehensive reengineering project, which includes a new workflow management system that focuses on customer service for personal subscribers.
This workflow solution integrates all office applications, which had previously run on different systems. The result: Flexible and highly efficient processes and ongoing availability of all required data on a consistent user interface. Which means that the staff at Telecom Italia can now focus even more intensively on their core activity, customer service, and do a faster job of responding to change.
The new software platform is the WorkParty Enterprise Edition from prime contractor Siemens Nixdorf, who also introduced a special UNIX® based client/server architecture for the project. In addition to the RM1000 control server, the concept also includes an RM400 communication server. 2,000 workplaces in the customer service organization have already been equipped with networked Pentium Pro PCs.
Now that the pilot phase at headquarters has been successfully completed, the project is being expanded to include the organization's other locations.

Kuala Lumpur: Malaysia's largest electric utility uses the world's first R/3-based billing system.

Tenaga Nasional Berhad (TNB) is playing a key role in industrializing Malaysia. The country's largest utility employs a workforce of 23,000 people and supplies electricity to some four million business and private customers.

To optimize its internal processes, TNB opted for an end-to-end IT solution and for Siemens Nixdorf as the prime contractor. The aim, first and foremost, was to streamline billing operations and speed up its cash flow.
Siemens Nixdorf developed the "Customer Information and Billing System" (CIBS) for TNB, the world's first R/3*-based nationwide billing system.
After installing the network, comprising 135 systems in 113 locations, Siemens Nixdorf then reengineered TNB's internal processes and trained its staff. Maintained by Siemens Nixdorf experts, CIBS assures smooth and efficient corporate processes: From meter reading to customer care.
Successful operation of CIBS at TNB will serve as an outstanding reference for further international projects of this magnitude.

CG 98 KUALA LUMPUR 98 XVI COMMONWEALTH GAMES

And Siemens Nixdorf will continue its strong commitment in the Asian region in the future: For example, by serving as a major partner and official sponsor in organizing the XVI Commonwealth Games in Kuala Lumpur next year.

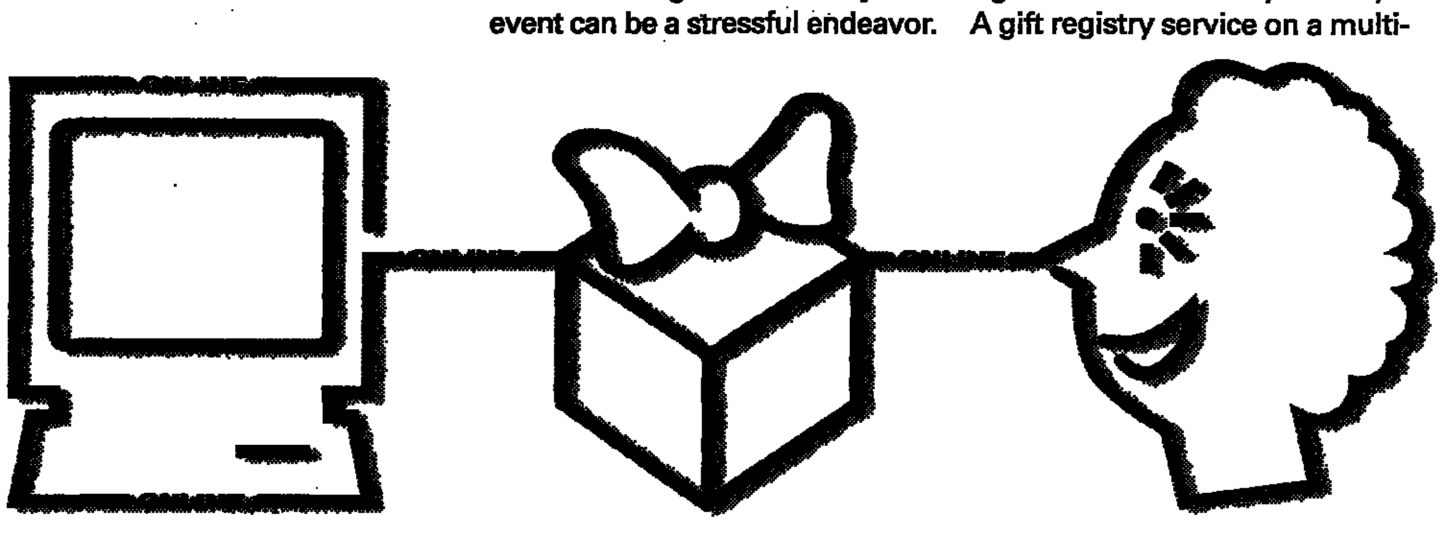
SIEMENS NIXDORF

Moscow: SIEPOL to help Russian police net more and more bad guys.

Siemens Nixdorf is implementing an ambitious IT project for the Interior Ministry (IM) of the Russian Federation: Deployment of the nationwide SIEPOL criminal and legal information system. The highly networked SIEPOL system will link the interior administrations of all of the Federation's 89 regions with every individual department.
Special application software was developed in close cooperation with the experts from the IM. It simplifies access to all of the information needed for a legal system: From searches for people and stolen property to crimes and convictions to data on weapons and motor vehicles.
Some 7 million records and 15,000 queries a day in St. Petersburg alone or 6.5 million records and 10,000 queries in Novosibirsk are but two examples of the demands placed on the performance and scalability of the SIEPOL system. 70 different servers, ranging from RM400s to RM1000s, are already handling gigantic volumes of data in some 3,000 police stations throughout the country.
An effective information system of this magnitude is an essential prerequisite in helping to contain organized crime, which often enough makes use of leading-edge technology.
In spite of considerable difficulties, such as local infrastructures that leave much to be desired, Siemens Nixdorf and partner, Oracle, are building an information system that's perfectly tailored to the customer's needs: Quickly and cost-effectively, thanks to preinstallation and integration test-out at the Customer Test Center in Paderborn. SIEPOL will be installed in 46 regions by the end of 1997.

Cologne: Kaufhof Department Stores use multimedia to showcase gift ideas.

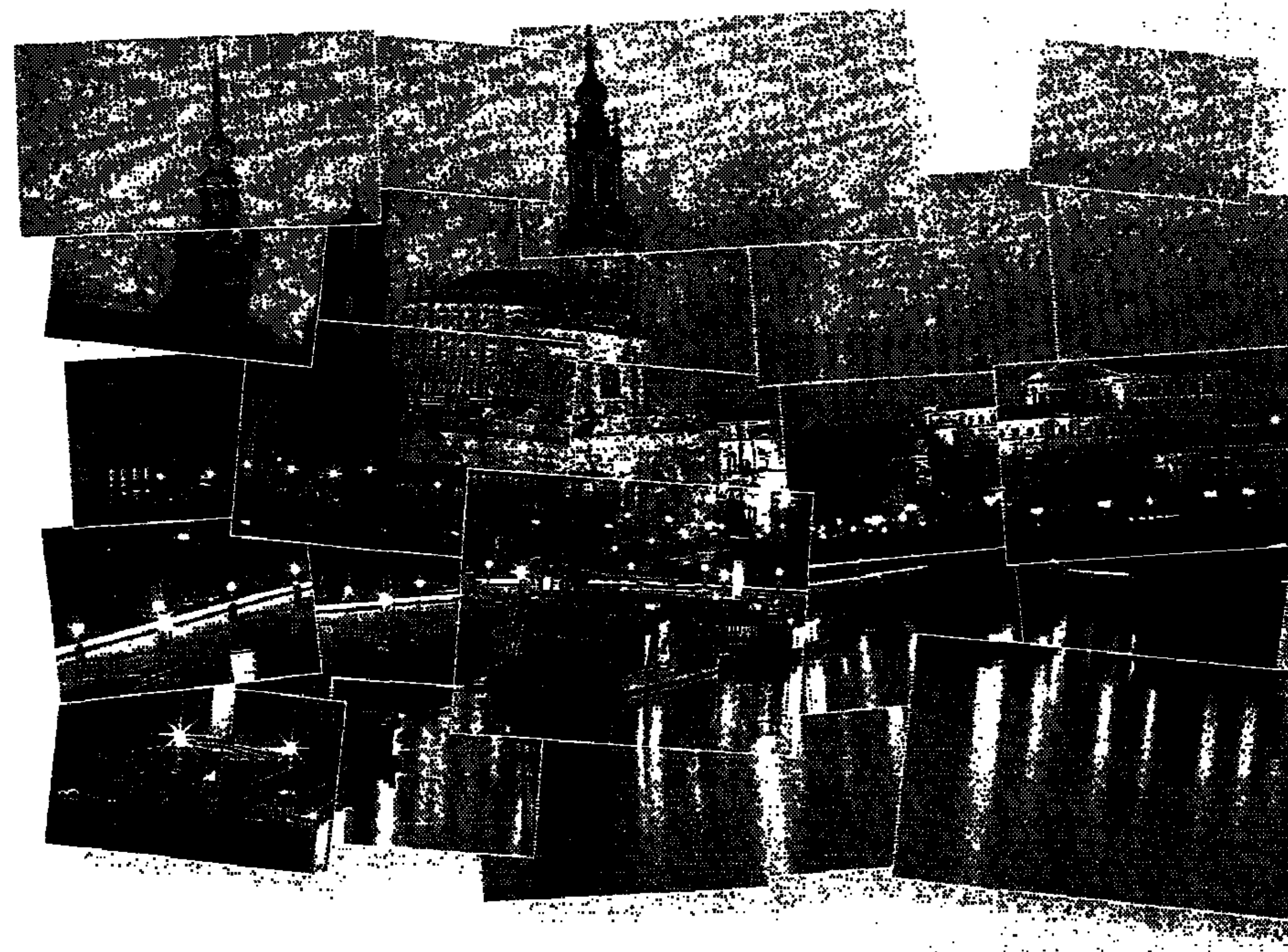
We've all been there and done that: Trying to find the right gift for a wedding or other major event can be a stressful endeavor. That's why Siemens Nixdorf has implemented a service idea for Kaufhof Warenhaus AG that's right in line with today's lifestyle. A gift registry service on a multimedia PC. Implemented in a kiosk-based interactive multimedia application that stores all of the customer and article data in connection with the event and allows them to be accessed from any store.



This new "Gift Registry Service" presents the host's gift wishes in an appealing environment. The customer can use the touchscreen to see all of the articles on the wish list, to query prices, obtain information about which articles have already been reserved – and to buy them of course: It couldn't be easier.
A multimedia server supplies all of the Kaufhof stores with the appropriate data. At the same time, key activities in the Gift Registry Service system, such as orders and transactions, are input into the inventory control element of the existing merchandise management system.
Kaufhof Warenhaus AG commissioned Siemens Nixdorf to implement this new service idea. Because what was needed was a competent software partner with industry know-how and a mastery of innovative technologies.
The Gift Registry Service is presently being offered in five stores. Additional installations are already planned.

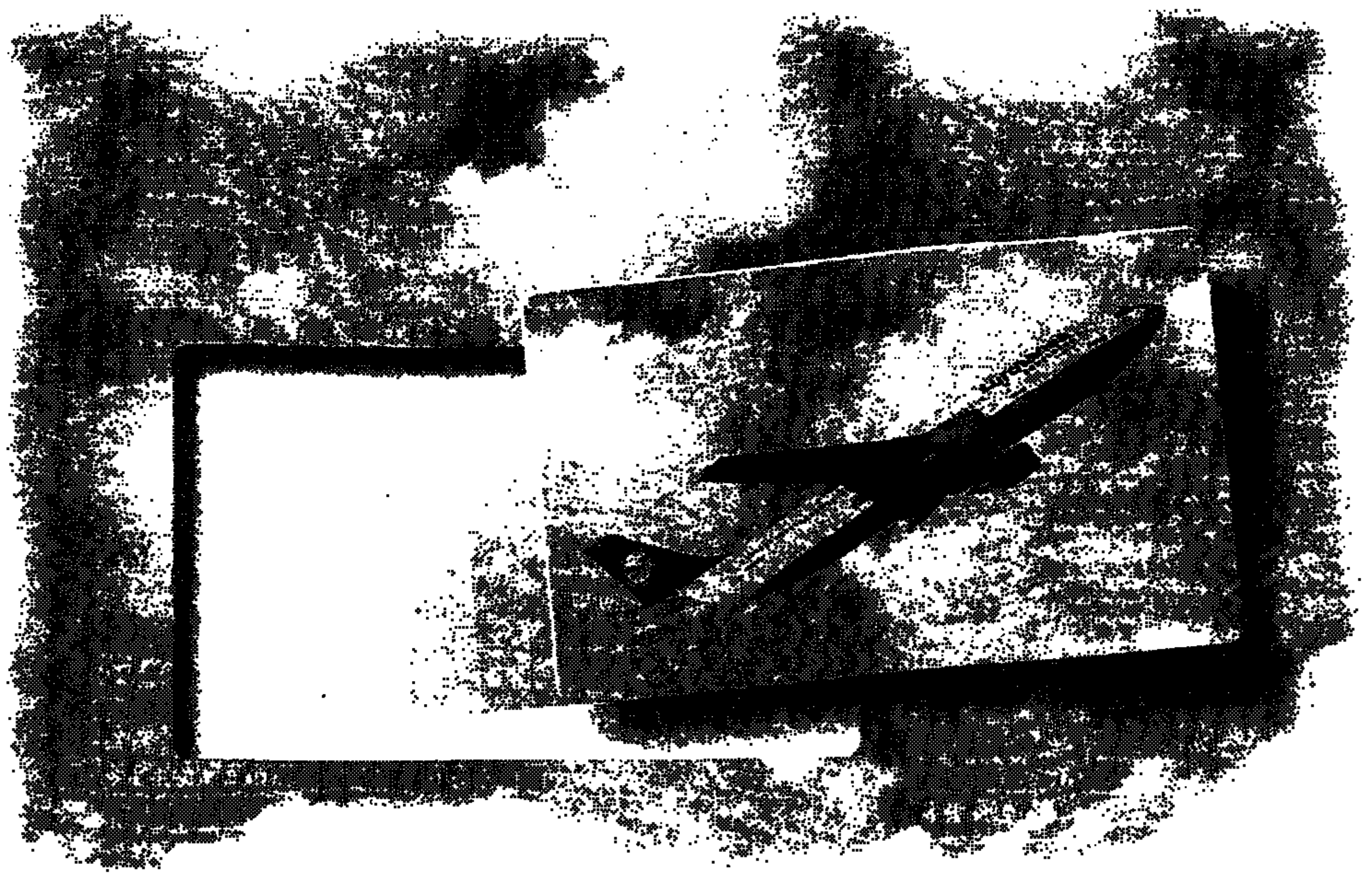
Dresden: State government of Saxony seamlessly interlinks mail systems.

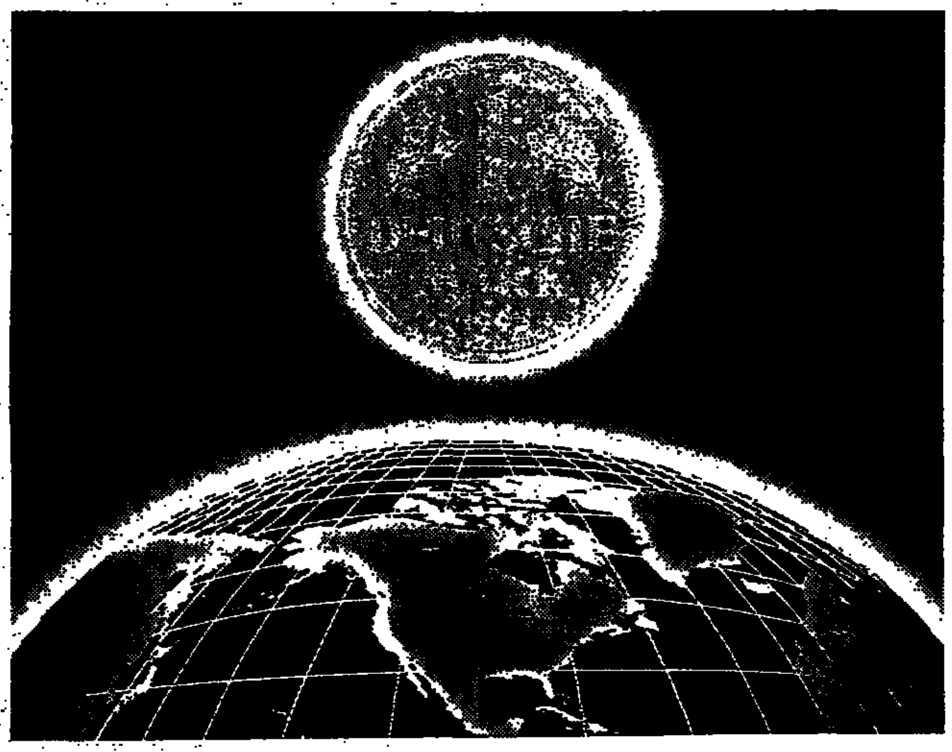
From model test to a live corporate network in two years: "The Communication Network for the Government Agencies of the State of Saxony" has long since become an indispensable communication infrastructure.
Siemens Nixdorf was responsible for establishing an overarching data network for the government agencies of the state of Saxony. The primary task: To network the various, historically evolved local area networks into one WAN. An X.400 messaging backbone was used to link the e-mail systems and to install central services like X.500 directories and gateways to other systems. Moreover, Siemens Nixdorf also implemented Web access to the central e-mail address directory, which covers all of the popular e-mail systems.
Today, all of the e-mail traffic for the state's agencies is being handled via the Corporate Messaging Backbone. Links to other German states and to the e-mail network used by Germany's federal agencies now allow all of the network's users to be faster and more efficient in communicating with the outside world.
Breaking news stories from the wire services are received by satellite and processed by a special receiving PC. Information retrieval and searches run in a Windows application.
Planning is currently underway for expanding the network.



Frankfurt: German Bundesbank debuts on the Web.

The German Bundesbank now has a new address: http://www.bundesbank.de. Here, Web surfers can learn everything and anything about the mission and organizational structure of Germany's central bank, about the European Economic and Monetary Union. In addition, they can also take advantage of a broad spectrum of information offerings on currency issues that range from press releases to monthly reports.
Over the long term, all of the Bundesbank's print media will also be offered via the Internet. In particular, users will benefit from fast access to information and the ease with which it can be used.
The challenge in designing and implementing this Web presence: To integrate the central bank's decentralized units to create a self-contained, user-friendly and up-to-the-minute presence.
It took Siemens Nixdorf only a few weeks to implement the Web presence, and the company is also responsible for Web publishing, systems integration, Web hosting and system maintenance. In addition to the price-performance ratio, Siemens Nixdorf's reliability as a global player in *the IT market, its outstanding* references in the Web segment, in project management, and its flexible, customer-focused project design capabilities played a decisive role during implementation.





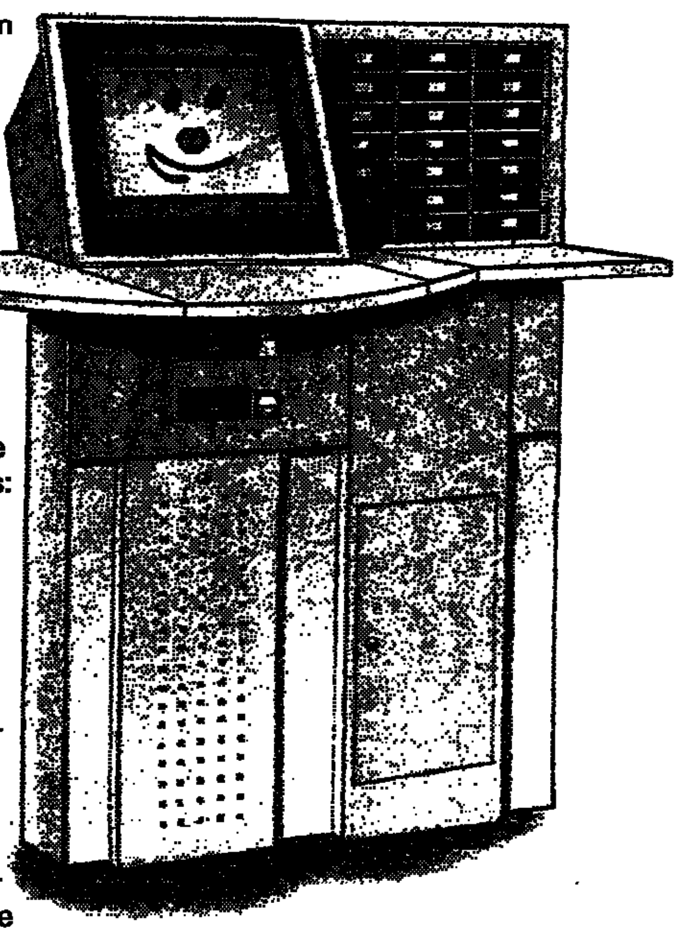
Lufthansa now flies with one card.

Lufthansa's new employee ID badge is truly a jack-of-all-trades. It replaces a motley collection of cards and badges, offers greater security and cuts costs.
Operating throughout the world, the Lufthansa organization used to maintain over 25 different personnel access control systems, at least five DP access control systems, as well as diverse time data capture and payment sys*tems. The result: The average* Lufthansa employee had to constantly carry a half dozen cards ranging from simple photo IDs to plastic cards incorporating magnetic stripe, induction or memory chip technologies.
The new Lufthansa ID is designed around the SICRYPT® V 3.0 chipcard from Siemens Nixdorf.
It utilizes the organization's existing hardware systems and covers all functions, from access control *to time data capture, serves as* a fueling card and an electronic wallet. And it offers key advantages when it comes to security. For the first time, all ID production and administration process have now been centralized.
A newly developed Card Information System reliably controls all activities in connection with chipcard administration.

Santiago de Cali: Intelligent networks assure a competitive edge for EMCALI in the telecommunications market.

Santiago de Cali, Colombia's economic hub, is counting on the enormous potential for development that's offered by leading-edge information technology.
As the country's second-largest telephone network operator, municipally owned EMCALI, Empresas Municipales de Cali, have made a clear decision for the future. The introduction of a computer-supported telephone system. With this intelligent network, they'll be able to keep pace with the exploding demand for additional services in the public telephone network: From toll-free numbers to tele-info services to the deployment of private, in-house networks.
Siemens Nixdorf and Siemens joined forces to win out against the competition: With INXpress, a complete portfolio of solutions for operators of mobile and fixed networks.
To assure that the project would go smoothly, the INXpress system was almost completely preinstalled at the Siemens Nixdorf Customer Test Center (CTC), where the configuration – including the application software – was thoroughly tested. The CTC was also responsible for handling logistics and transportation. The effort was well worth it: The INXpress system was able to be swiftly installed at the customer site and went into live operation without any problems.

Wolfsburg: Volkswagen's new dimension in service to celebrate its world premiere at the Frankfurt Motor Show.



A world innovation is what Volkswagen AG and Siemens Nixdorf will be debuting at the '97 Frankfurt Motor Show: The SAM multimedia self-service-kiosk. It will herald in an all-new dimension in service for VW's customers: 24 hours a day, 365 days a year. Telephone calls to make appointments and long waits to drop off or pick up the customer's vehicle will then be a thing of the past: SAM *allows VW custom*ers to make all the arrangements by themselves.
By simply using a touchscreen. The terminal's user menu makes light work of navigating through the broad portfolio of service offerings, from repairs and regular service all the way to special offers. And in selecting the desired services, the user always knows how long they will take and what they will cost.
The customer simply signs the work order printout and then deposits it in a lockbox along with the vehicle's keys, registration and service booklet. Vehicle pick-up and payment is just as easy and comfortable.
For Volkswagen, SAM represents a key step toward more service and customer intimacy – thanks to a custom-tailored hardware and software solution from Siemens Nixdorf. After its world premiere, SAM will be piloted at VW dealerships in Germany, Austria and Spain. It will eventually be used throughout the world.

Lloyd's A+ rating is lower than rivals

By Christopher Adams, in London

Lloyd's of London insurance market has been assigned a security rating for the first time in its 309 year history even though Standard & Poor's assessment of its ability to meet claims is lower than that enjoyed by major rivals.

S&P yesterday assigned Lloyd's an "A+" rating of its financial security, a move which will allow Lloyd's customers to compare the market instantly with insurance and reinsurance companies around the world.

The rating is likely to have most significance in reinsurance, where clients are attaching greater importance to financial strength and Lloyd's is among the top five providers in terms of premiums written.

Sir David Rowland, chairman of Lloyd's, said the rating would help Lloyd's win new business.

It bore witness to the common system of security which underpinned policies issued by the market, he said.

But S&P rates other big reinsurers with which Lloyd's competes more highly. Munich Re, Swiss Re, General Re and Employers Re all boast "AAA" ratings. Lloyd's would have ranked 63rd in the agency's guide to reinsurance markets published earlier this year.

Rob Jones, a director of S&P's insurance ratings arm, said not enough time had elapsed since Lloyd's completed a recovery plan to rid itself of £8bn ($12.88bn) in old liabilities for the market to receive a higher rating. "There is a great deal of underwriting discipline in the market and a repeat of past losses is unlikely. But we need to see Lloyd's perform over a longer period of time," he said.

While a new company, Equitas, has taken responsibility for the market's liabilities up to 1992, Lloyd's might be forced to transfer further capital to Equitas if the company looked like failing, he said.

Lloyd's returned to the black in 1993. But a levy of £440m on the market's central fund – a pool of money used to meet claims if capital providers fail to do so – and the obligation to pay back a £300m loan would limit both its profitability and capital strength, said Mr Jones.

Max Taylor, nominated by Lloyd's ruling council to succeed Sir David next year, said: "Many clients have wanted an independent, simple view. Sometimes they find the structure at Lloyd's confusing. Now they have it." A M Best also announced a market-wide rating for Lloyd's yesterday, giving it an "A" grade. But it too noted that concerns remained, due to the uncertainty surrounding Equitas.

Lloyd's had spent several months negotiating a security rating with the agencies. S&P had previously rated the performance of individual syndicates which underwrite risk at the market. It said yesterday it would continue to do this.

Bankers press for Emu membership deadline

By Wolfgang Münchau, in London

The British Bankers Association is to press the government to put a time frame on membership of European economic and monetary union after ministers announce their support for it in principle later this year.

"We have got to be realistic, we are not necessarily expecting a concrete date," said Tim Sweeney, director-general of the BBA, which represents UK and foreign banks based in Britain. "But we would like to see a narrowing-down of options."

The government is to make a statement about its Emu strategy this year. One of the technical dilemmas it faces in choosing an entry date is the need to ensure that companies are adequately prepared. Companies, meanwhile, are not ready to commit themselves unless they have firm indications about the timing of UK membership.

The BBA is among several business organisations taking part in an advisory group, set up by Gordon Brown, the chancellor of the exchequer, to investigate the practical implications of Emu. The group is scheduled to report to Mr Brown in December.

UK bankers and business-people regularly complain that uncertainty created by the UK's opt-out of the single currency has impeded their preparation for Emu.

Banks and companies in other European Union countries have been able to time their preparations on the assumption that Emu would start on time in January 1999, the scheduled launch date under the Maastricht Treaty. To prepare for Emu, companies will need to change their computing and accounting systems to handle dual currency transactions. Emu will also require changes to many legal contracts.

Deutsche Bank, Germany's largest bank, said it has invested about DM400m ($225.9m) in preparation, most of it on technical changes and staff training.

Blair warns of hard choices ahead

Press Association

Tony Blair: prime minister still a mystery to many of his party's activists

Philip Stephens reports on Labour's mood as it holds its first conference as the governing party for 19 years

This week's Labour party conference had not quite known what to do with itself until Tony Blair mounted the rostrum. It wanted to celebrate a famous victory but somehow could not find the voice. For all the ferocity with which it fought the May election, the party had grown comfortable in opposition. Government deprived it of the Tory enemy. It was a disorientating experience.

The mood changed when Mr Blair was introduced as Labour's first prime minister in two decades – and the most popular holder of that office for a century. The leader did not disappoint. As political theatre his speech was masterly, reminiscent of Margaret Thatcher at her best. As a statement of intent it was more serious than the ubiquitous soundbites allowed.

Mr Blair is still a mystery to many of his party's activists, the vital architect of its greatest victory, but also a threat to its most precious traditions. The leader of the Labour tribe, we have seen again this week, is not of it. This is a circle he will have to square over and again in years to come. And, to borrow a phrase, it can only get rougher, a lot rougher.

It is easy enough to tease Mr Blair about his rhetorical flights of fancy. "Compassion with a hard edge," the latest New Labour slogan, simply replaces the more familiar cliché, tough love. I could not have been the only person in the hall to have cringed when the prime minister declared that "the giving age" began on May 1.

But language is important in politics. It marks out the ground on which the battle is fought. The then Mrs Thatcher knew that. Her mantra of individual self-reliance shaped the mood of the 1980s. Mr Blair's aims to persuade the nation that there is, after all, such a thing as society. All are invited to join the moral crusade.

You knew, though, how far the prime minister wants to take New Labour when he reached the section of his speech on law and order. Zero tolerance, parents held to account for the crimes of their children: Michael Howard could have been speaking. A few years ago the words would have been drowned in cat-calls. Now the delegates applaud.

There was a similar moment when Mr Blair unveiled his gallery of political heroes. Ernie Bevin, Nye Bevan and Clement Attlee were all there. But so too were the great Liberals, Keynes, Beveridge and Lloyd George. Some time soon, Mr Blair will have to decide how serious he is about his present alliance with Paddy Ashdown's Liberal Democrats. But for now at least he will make no apology for it.

The bigger purpose of the speech, though, was to construct a bridge between his personal obsession with "modernisation" and his party's fear that it imperils the cherished institutions of the welfare state. He did so skilfully. Yes, there would be more money for health, but only if the NHS were reformed. Education would take a bigger share of the national cake, but only if standards were levered up and bad teachers sacked. Many more would go to university, but they would have to pay their way.

As for welfare benefits, the system should provide for work rather than dependency. The poorest among the elderly should be protected, but beyond that government's role was to "organise" the provision, not simply write the cheques.

It was here that Mr Blair issued his warnings of hard choices ahead. The phrase was heard a dozen times in as many minutes. The prime minister, I understand, has been stung by charges that he is reluctant to sacrifice his stratospheric poll ratings to the tough business of government. But if things are going to change, someone has to get hurt.

His party knows this. So, I suspect, does the nation. But reform will not be any the more comfortable for that. The odds too are that it will coincide with darkening economic clouds. For now, the government's popularity is sustained by a booming economy. It can't go on.

Mr Blair assures us he is ready for the test. We shall see. But to squander through inaction his present political capital would be unforgivable. And it would make relations with his party no easier. Seeing the past through rose-tinted spectacles is a national trait. Siegfried Sassoon, the war poet, had a metaphor for it. "Imagine the British," he wrote, "transported from hell to heaven. Before long they would gather each evening in their celestial paradise to reminisce about the good old days." There will be no better moment for Mr Blair to break with the past.

Defence savings sought by buying ready-made

By Michael Skapinker in London

The Ministry of Defence plans to purchase more ready-made equipment in a bid to reduce costs and speed delivery, Sir Robert Walmsley, chief of defence procurement, said yesterday.

Officials believe that the annual £9bn ($14.5bn) defence procurement programme could be reduced by 10 per cent through the adoption of modern purchasing techniques.

Sir Robert said that while the UK was one of the most open defence markets in the world, the armed forces would continue to buy most of their equipment in Britain. The ministry wanted to encourage greater collaboration with industry and it was easier to work with local suppliers.

Sir Robert said these ideas were part of the government's strategic defence review and its move towards "smart procurement".

He added: "This is still work in progress, subject to continuing consultations with industry and to endorsement by ministers as part of the outcome of the strategic defence review."

George Robertson, secretary of state for defence, said earlier this year that he wanted to try to eliminate cost over-runs and delays.

Sir Robert said the armed forces would purchase more equipment that had already been developed for civil use. He said this applied particularly to computer software and screen displays. Sir Robert said the ministry would concentrate on getting equipment into service and then updating it later. The traditional approach had been to attempt to achieve "a large jump in technology before equipment first enters service".

He wanted to see a greater reliance on long-term partnerships with defence contractors, who would be involved in projects at an earlier stage. Different stages of the procurement process should be carried out concurrently, to reduce timescales, rather than sequentially as happened at present.

Sir Robert said: "Our traditional procurement processes are based on the approach of phased risk reduction, with approval to proceed to each stage dependent on successful completion of the previous ones.

"There are strengths and benefits in this approach, but there are also weaknesses."

CONTRACTS & TENDERS

Discounts on US titles may mean legal action

Internet Bookshop risks price war

By Alice Rawsthorn

The Internet Bookshop, the UK's largest online bookseller, has started selling US editions of books at discounts of up to 45 per cent, raising the risk of a price war and a legal battle with British publishers.

Until now, the Internet Bookshop, in common with other UK-based online booksellers, has avoided selling US editions, which tend to be considerably cheaper than UK ones, for fear of becoming embroiled in a costly law suit.

Online bookselling is so recent that there is no legal precedent to determine whether a UK-based internet retailer would be breaching copyright by selling the US edition of a title already available from a UK publisher.

The consensus in the book trade is that the legal position will only be clarified by a test case. UK-based online booksellers have to date been reluctant to risk such an action.

Competition from US-based internet booksellers, such as Amazon and Barnes & Noble, has increased in recent months. These sites, which discount the full price of books by up to 40 per cent, have steadily increased sales to UK consumers.

The Internet Bookshop – which will face increased domestic competition this autumn when Waterstone's and Dillons, expand their online operations – has added 300,000 US titles to its 1.2m strong stocklist. Some of these books are also available as UK editions.

Any US editions ordered by UK customers are shipped from a US wholesaler. The company says it can deliver them within 10 days for the same postage as UK titles.

The Internet Bookshop is discounting US hardbacks by 35 per cent, paperbacks by 25 per cent, and selected titles by 45 per cent. Prices of some UK titles have also been reduced, but most still cost more than the US versions.

For example, the US paperback of *Mr Vertigo*, a novel by Paul Auster, is available for £5.60, against £6.99 for the UK edition. *Hand To Mouth*, the new novel by Paul Auster, is sold as a US hardback for £8.59 (discounted from £15.62), and will not be published in the UK until November.

It is understood that the Internet Bookshop has not received any formal complaints from UK publishers.

Other UK internet booksellers are considering proposals to sell US editions. Waterstone's hopes to do so, after it has launched its expanded internet site next month. It is discussing the issue with UK publishers.

Similarly, discounts offered by the Internet Bookshop will intensify pressure on its rivals to follow suit. Online booksellers can afford to discount because their costs are lower than those of conventional retailers, but so far UK operators have been reluctant to risk a repetition of the price war that has erupted in the US.

Minister eyes corporate tax reform

Abolition of advance corporation tax would create winners and losers

There has long been a consensus that the UK's system for taxing corporate profits and dividends is in need of reform. Previous governments have become increasingly concerned at the problems caused by the introduction of advance corporation tax 25 years ago. But they have all been scared off a radical overhaul.

Now the Labour government appears set to grasp the nettle.

ACT, as its name suggests, is an advance payment of corporation tax, related to the dividends a company pays.

In normal circumstances, ACT is deducted from the "mainstream" corporation tax which a company faces on its profits. The problems arise when a company's UK taxable profits are so low in relation to its dividends that it is unable to offset all its ACT against its mainstream tax bill.

It may be able to offset some of the so-called surplus ACT against tax in future years. But for some companies, notably those with only a small proportion of their profits in the UK, much may be lost for good.

It was to get around this anomaly that the previous government introduced foreign income dividends. But Gordon Brown controversially issued the scheme's death warrant in his July Budget.

Simply scrapping ACT would therefore give a big boost to companies which suffer from surplus ACT. As the table shows, the numbers can be significant with BTR generating £29m ($46.69m) and Standard Chartered £18m in 1995.

It is unclear how the government would treat the accumulated stock of surplus ACT which now tops £7bn. For companies such as BP, which generated huge surplus ACT when it maintained its high dividends in spite of heavy losses, this is a very valuable asset. In 1995 it reduced BP's tax bill by £130m.

The Inland Revenue has devised a scheme that would allow companies to continue to offset surplus ACT after the tax was abolished.

The biggest loser from the simple scrapping of ACT would be the government itself – surplus ACT is currently running at an estimated £1bn which would be lost to the exchequer.

In addition, there would be a large, if temporary, hole left in the government coffers because ACT is paid by companies during the financial year whereas their mainstream tax bill is payable up to nine months after the year end.

To offset this timing effect, ministers are proposing to switch to the US system where companies pay their corporation tax quarterly during the financial year. If companies were required to pay 40 per cent of their bills upfront, the government's cash flows would be unchanged. Moreover, if that proportion was gradually increased over a period of years the government could even offset the loss of the surplus ACT (though not indefinitely).

The political problem with all this is that some companies would still lose out. If companies that did not pay dividends (or ACT) were forced to bring forward their corporation tax payments they would face a bumper tax bill in the first year. But the government could shelter small companies, most of which do not pay dividends, by introducing a size threshold. Companies below a certain size could continue to pay all their mainstream tax in arrears as is the case for VAT.

David Wighton

Companies suffering surplus ACT: the top 20

ACT (£m)	1992	1993	1994	1995	1996	Annual average**	Market Cap (£bn)
Hanson	38.0	53.0	150.0	93.0	0.0	66.8	[illegible]
United Utilities	23.3	21.9	20.7	22.2	45.4	26.7	4.1
Thames Water	24.7	21.3	18.9	20.8	24.6	22.1	3.4
Anglian Water	19.0	19.0	16.9	19.3	20.1	18.9	2.2
Severn Trent	22.6	22.1	17.7	20.1	3.1	17.1	[illegible]
BTR	0.0	22.0	15.0	29.0	–	16.6	10.1
British Aerospace	4.0	28.9	14.0	18.0	–	16.0	[illegible]
Rolls-Royce	11.0	13.0	15.0	16.0	–	13.8	3.7
Standard Chartered	11.0	8.0	16.0	18.0	–	13.3	[illegible]
BSkyB	–	–	–	0.0	23.6	11.8	8.0
Rank	18.1	13.6	11.0	-1.7	–	10.3	[illegible]
Ladbroke	23.8	13.4	-0.5	1.6	–	9.6	3.3
Yorkshire Water	12.2	11.8	10.8	12.3	-2.6	8.9	[illegible]
EMI	4.2	8.0	20.4	30.4	-23.5	7.9	4.8
British Steel	35.0	73.0	-12.0	-86.0	-27.0	-0.6	[illegible]
Dalgety	-16.9	-9.8	-4.9	-0.3	15.9	-3.2	0.7
GKN	8.5	7.9	-19.8	-23.4	–	-6.7	[illegible]
RTZ	9.0	-26.0	0.0	-11.0	–	-7.0	10.8
BAT	97.0	-63.0	-142.0	-57.0	–	-41.3	[illegible]
British Petroleum	20.0	-51.0	-110.0	-120.0	–	-65.3	53.6

Surplus ACT occurs when companies pay more ACT than allowable against their mainstream corporation tax. Negative figures occur when companies use surplus ACT payments from previous years to cut mainstream corporation tax.

*FTSE350 companies with largest surplus ACT payments or rebates

**Over five years or less where applicable

Sources: BZW, Datastream/ICV, FT

UK NEWS DIGEST

Lower pay plan angers unions

The government was embroiled in fresh controversy with trade unions last night after Peter Mandelson, Minister without Portfolio, said it planned to introduce a lower minimum wage for people under 25 than for the rest of the workforce.

Asked about the prospect of exemptions for young workers, Mr Mandelson said :"There will be a differential. That's the view of the government and I think it is the right course to take."

Later, in a statement issued after consultation with senior officials, he said the government was seeking to prevent restrictions on job opportunities for young people.

John Monks, general secretary of the Trades Union Congress, however, warned that the unions will expect the national minimum wage to apply to all "fully trained adult workers under 25" when it is announced next year. "We will be putting our case on this and other matters to the Low Pay Commission on October 14." It would be "dynamite to suggest otherwise". *Robert Taylor, London*

■ FATAL RAIL CRASH

Companies warned over safety

Train operating companies were last night ordered to tighten their rules on running trains when the automatic warning system which alerts drivers to a danger signal is out of order.

The ruling from the Health & Safety Executive, which is examining the causes of the high speed crash which killed seven people at Southall, west London, last month, will require operators to take trains out of service much more quickly than in the past.

The HSE said it had discovered "some overly liberal interpretation of rules" suggesting that its decision would not affect large numbers of trains. It could however place extra demands on operating companies which may be required to obtain extra trains or create more repair facilities.

According to unconfirmed reports in the wake of the Southall crash, the automatic warning system on the Great Western express train which hit a slow freight train was not working. Great Western said it did not take a train out of service immediately on discovering a defective AWS but it would continue to operate it until it reached a repair depot. *Charles Batchelor*

■ INFORMATION TECHNOLOGY

US group wins $644m forces deal

EDS, the US-based computer services group, has been named as the preferred contractor for a 10-year to 12-year contract worth about £400m ($644m) to provide pay, pensions and administration services for the armed forces. The deal is the biggest IT deal under the government's private finance initiative since the Labour party came to power. *Nicholas Timmins, London*

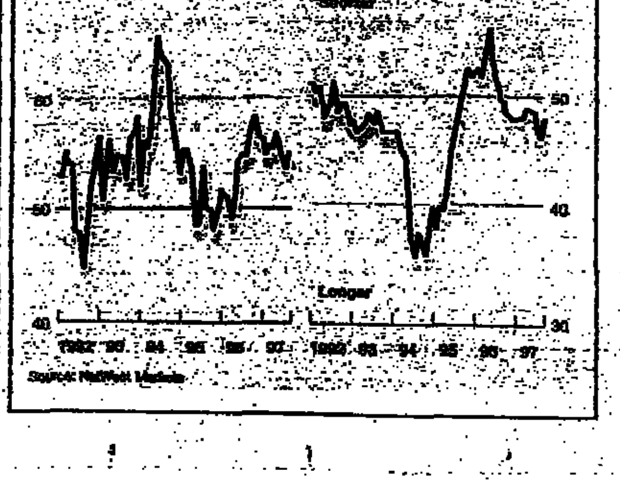
■ MANUFACTURING

Managers see upturn in exports

The health of the UK manufacturing sector is improving according to purchasing managers, who reported an upturn in exports and stronger output in investment goods last month.

The Chartered Institute of Purchasing and Supply said that its index of manufacturing showed a modest acceleration in activity during September. Its seasonally-adjusted purchasing managers' index bounced back to 52.7, after it had weakened to 51.1 during August. The index is based on surveys of purchasing managers in the manufacturing sector. An index figure above 50 indicates an expansion, while a reading below 50 implies a slowdown. The strength of sterling was still restraining demand, but "economic growth in Europe was increasingly reported to have benefited exporters". *Richard Adams, London*

Orders accelerate — but supply pressures ease



Source: NatWest Markets

It's been hell.

But we're back.

What a year!

Uncertainty. Instability. High pressure. Low morale.

Just about everything you'd expect the division of a complex international corporation to carry in its wake.

There we were, Olivetti Personal Computers, pioneers of the PC in Europe. A company with a proud heritage in innovation and design. One which, for over a decade and a half, had produced computer hardware second to none. But so immersed in our own frantic atmosphere, we'd lost sight of what was happening on the other side of the factory gates.

Before you know it, your customers are suffering too.

Fortunately, that's all behind us now.

We have a group of shareholders who not only believed in the vision of our strengthened management team, but were equally determined to drive through the kind of changes to Customer Service and Support that would transform the business beyond recognition.

But first, we had to put our house in order.

With a new name – Olivetti Computers Worldwide – and logo to match, we began by overhauling our internal systems. Implementing SAP R3 software, for example, brought a much-needed discipline to ordering, distribution and business controls, enabling us to manage every detail of the operation to best match the needs of the customer – whether in the boardroom or the high street.

Then, we took on over 100 multilingual staff and trained them to operate our International Warranty Helpline. Enough people and equipment to ensure 99% of calls are answered within 30 seconds.

But talk is, relatively, cheap. Action, like desk-to-desk notebook repairs within a target of five working days, and overnight server part-replacement across Europe, is what our customers now enjoy.

And exploiting the Internet to whisk repair-procedures and patches directly into the hands of our Service Partners, drawn from an impressive list of first-tier companies, has brought a new responsiveness that's the envy of our competitors.

The effect?

Costs are down and lead-times are drastically reduced – we now even make to order. And confidence has never been higher. In other words, we're fit for business.

As for our big-name accounts, including many of the world's major corporations and banks, they continue to remain loyal.

Meanwhile, thanks to our substantial investment in design and product engineering, new customers are discovering daily a range of professional notebooks, desktops and servers which, for performance and value, is up there with the best of them.

In fact, today, Olivetti Computers Worldwide is well on its way to becoming what Olivetti always was: Europe's premier PC company.

It's good to be back.

TACKLING NEW TECHNOLOGY TODAY

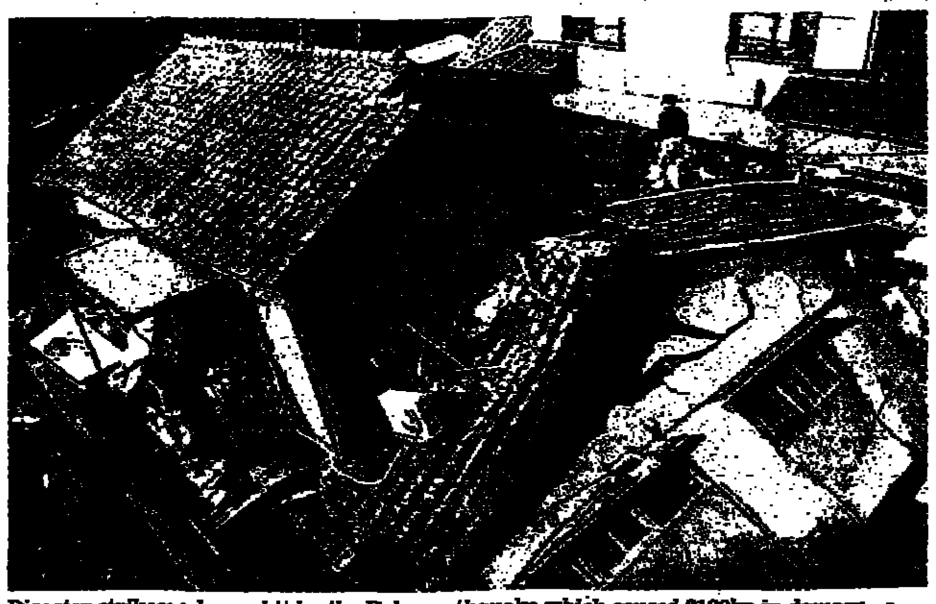
As a small token of our new customer-orientation, in collaboration with many of our technology partners (including APC, Cisco, DPT, Intel, Microsoft, Netscape, Novell, Oracle and SCO), we have published a series of independently-authored guides covering some of the key issues that your organisation may be facing today: Preparing for a Corporate Intranet; Working the Web: How to make the Internet work for your company; and Preparing for Maximum Reliability Enterprise Computing.

Simply call 0800 447799 (+44 800 447799 outside UK) for your free copies, or visit our website: www.ocwi.com/guide/guide.htm to download them.

olivetti
COMPUTERS WORLDWIDE

Christopher Adams on methods of assessing insurance risk for natural disasters

Perils and prediction



Disaster strikes: a house hit by the Kobe earthquake which caused $180bn in damage *Reuters*

A thousand glimmering squares cascade across a computer image of Tokyo. Together they chart the destruction caused by a powerful earthquake.

Fires rage out of control in the city's eastern suburbs of Taito and Sumida. Just west of the centre in Suginami and Shinakawa, more buildings are ablaze. When the fires die down, 40 sq km of the city have been razed.

David Simmons turns away from the screen. Greig Fester, the London-based reinsurance broker where he works, has other exciting simulations: coastal flooding in Britain, wind storms in Germany and multiple dyke failure in the Netherlands. It is also exploring hailstorms.

The company is one of only a few brokers and insurers to have invested heavily in the development of "risk modelling" techniques that take a step further the traditional methods used to assess insurance risk.

Until recently, insurance companies relied only on the statistical analysis of previous natural disasters to assess their exposure to catastrophes. Now, however, a few are using complex mathematics and powerful computers to try to predict the future.

Last week, a consortium of UK-based insurers and brokers including Greig Fester announced plans to work with universities and the Meteorological Office on a government-funded project to explore how weather patterns interact.

Around £1m is to be pumped into a three-year venture, called "Tsunami" after the Japanese word for tidal wave. The project will use risk modelling to predict the likelihood of storm surges and other phenomena.

"We're concerned about the effects which weather in one part of the globe may be having on other parts," says Nick Golden, underwriting and reinsurance manager at Royal & Sun Alliance. "Relying purely on statistical claims experience may not be enough."

The consequences of not getting an accurate grasp on potential liabilities are huge. The costs of natural catastrophes are escalating with the concentration of wealth in the world's developed cities. A hurricane hitting Miami could cause $100bn of insured damage.

Moreover, concerns have been heightened recently by the return of aberrations in the world's climate caused by El Niño, a periodic warming of ocean waters in the east Pacific.

Global warming is another as yet incalculable risk, but a phenomenon which is expected to lead to an increased number of storms. The hurricane which swept across southern England in October 1987 had been thought a one in 200-year event until a storm of near similar strength struck three years later.

Japan's last big earthquake, in Kobe two years ago, caused $180bn in economic damage. Much of that was uninsured. But were natural history to repeat itself and Tokyo suffer another earthquake similar in strength to the one which devastated the city in 1923, it is thought economic losses would run to thousands of billions of dollars.

Relying partly on research carried out by the city's metropolitan government, Greig Fester has included in its Tokyo model the outlines of every house in the city, the age and structure of buildings, the ability of the fire brigade to get to fires, and housing density.

The 1923 earthquake killed 140,000 people in fires that burned for several days. Today's Tokyo is very different. It has fewer wooden buildings, is much more densely populated and construction methods vary considerably.

The broker has calculated that the fires caused by electrical short circuits and gas explosions which broke out in the days following an earthquake would destroy 170 sq km of Tokyo with a wind blowing at 15m a second.

Mr Simmons says that Japanese insurers have been slow to embrace risk modelling techniques, possibly because the Japanese insurance market is still very tightly controlled by set tariffs, giving them little room to react to the data. But a repeat of 1923 could have disastrous consequences. That earthquake wiped out the Japanese insurance industry.

Clearer view for Nato planners

Clive Cookson on a weather system installation

Meteorological intelligence is a key ingredient in modern military planning. There is no point, for example, in sending up an aerial reconnaissance mission unless the weather is clear or in trying to move large numbers of troops through a blizzard.

So far the North Atlantic Treaty Organisation has relied on a surprisingly antiquated weather information system with ageing land lines, teleprinters and hand-plotting of maps. Now, all this is to be swept away by a new satellite-based system that displays relevant weather information on computer screens.

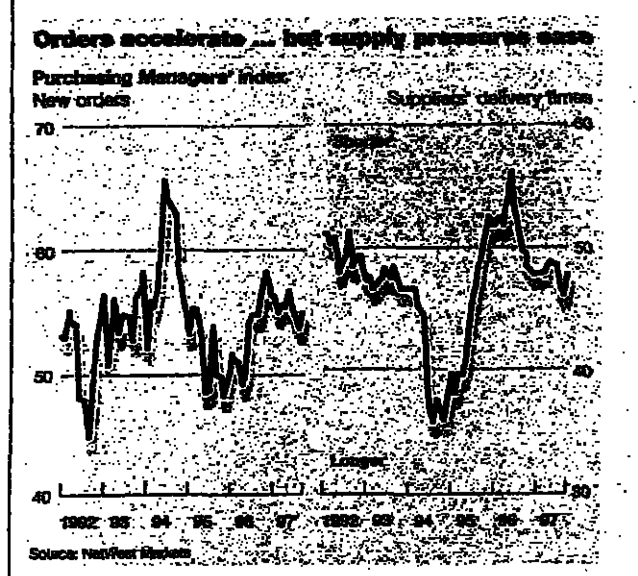
For this purpose Nato has selected the Namis system, developed by the UK Meteorological Office. It is an upgraded military version of Mist, the Met Office's information system that has been installed by 145 commercial users from utilities to offshore oil companies.

The new Namis system will initially be deployed in all of Nato's European centres – about 30 installations. They will be able to display weather conditions relevant to military operations anywhere in the world.

Namis runs on PCs with the Windows NT 4 operating system. The information will be transmitted by the planned Nato Allied Command Europe Weather Exchange satellite system, which will be operated by the German military weather service based in Traben Trarbach near Trier.

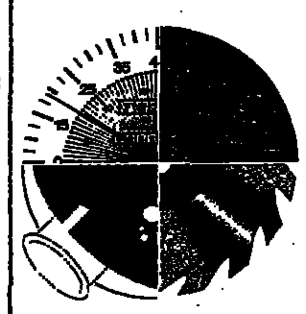
"Met data is a notorious consumer of *military* communications capacity," says Jim Sharp, a Met Office specialist, "because it has to be updated frequently – unlike most military communications, which may be long and complicated but need to be transmitted only once."

The satellite links will enable Nato's military meteorologists to deploy the system in the field, using portable equipment. They will be able to produce not only forecasts but also briefing material for troops. An air commander, for example, could use Namis to produce an instant series of slides to show air crew and pilots the weather conditions and cloud cover over their destination.



Worth Watching

· Andrew Baxter ·



Blocking HIV's doorway

A new way to block the HIV virus from invading white blood cells – whose functions are essential to maintain the human immune system – could open up a fresh approach to treating patients with HIV infection or Aids.

Yesterday's issue of the journal Nature Medicine describes a study of chemokine co-receptors by Si-Yi Chen, assistant professor of cancer biology, and colleagues at North Carolina's Bowman Gray School of Medicine.

Previous research has shown these co-receptors, which are found on the surface of white blood cells called lymphocytes, play a critical role as the "doorway" for HIV entry. Last year, it was also found that some people were protected from HIV infection by a genetic defect in the co-receptors.

To mimic this, Prof Chen and his team have designed an approach called intracellular chemokine – (intrakine.) This genetically inactivates the CXCR4 co-receptor by preventing it from reaching the surface of the cell.

Prof Chen says clinical trials on people are a year or more away.

Bowman Gray School of Medicine, tel US 9107164587 or e-mail SiChen@bgsm.edu

Note of alarm for drivers

Brief lapses of concentration – *gazing too long in* the mirror, reaching into the glove compartment or nodding off – can cause serious road accidents.

To keep drivers awake and alert, researchers at Daimler-Benz have developed a system based on a small camera located behind the windscreen, and connected to an image processing unit.

It monitors the position and speed of the vehicle, and sounds a warning signal if the vehicle strays too close to the edge of the lane.

The warning is the characteristic "nail clatter" sound of tyres crossing a row of studs on the road surface. In tests, professional bus drivers reacted quickly to the signal, without reverting to frantic steering manoevres.

Karen Stein at Daimler-Benz: tel Germany 7111793039, fax 7111794365 e-mail 100106.566@compuserve.com

Joint venture for fingers

Artificial hips have made a big contribution to relieving pain and increasing dexterity for sufferers from arthritis. This week an artificial finger joint was unveiled which its backers hope will be just as successful.

It has been developed by Thomas Joyce and a team of researchers at Durham University's Centre of Biomedical Engineering with funding from Action Research, a UK charity.

Normal artificial finger joints remove pain but do not change the ability to move or improve grip strength. They can also break. The new joint is made of two separate pieces, like the natural joint, alleviating the problem of snapping. It relies on the natural ligaments of the joint for stability and will replace only the diseased cartilage at the end of the finger bones.

Action Research: tel UK (0)1403 210406, fax (0)1403 210541

Cinema/Nigel Andrews

Brutal realism

"An ordinary family in South London" is how actor Gary Oldman describes the main characters in his writing-directing debut *Nil By Mouth* (opening next week). You may allow for irony or hyperbole. Few of us actual South London-dwellers would still be ambulant if this was a ordinary family. Its members drink, yell, fight, drug-take and wife-batter. The wife here (Kathy Burke) is battered to the point of miscarriage.

Burke, best known to date as the bedraggled comedy waif in Harry Enfield's television shows, won the Cannes Best Actress prize. But you cannot tell if she or anyone else is acting. *Nil By Mouth* is wonderfully raw, vital and believable. Oldman the actor may have been exposed to the kitschy artifice of playing big-screen villains lately, in *The Fifth Element* and *Air Force One*. Oldman the filmmaker, helped by his story's confessedly autobiographical roots, is uncontaminated by pretension.

The camera eddies as if unaided through the bars, streets and dingy houses, following Ray (Ray Winstone), the bullying husband with the punchbag face; Billy (Charlie Creed-Miles), his weak heroin-addicted brother-in-law; and their multi-generational chorus of women. Burke is Winstone's wife Valerie, Laila Morse is his mother-in-law, a beached whale with bleached-blonde hair, and Edna Dore is Gran, whose face seems frozen in a permanent rictus of careworn disbelief.

Ray, based on Oldman's father, to whose memory the film is dedicated, is the story's tragic demon. Fears, memories and alcohol addiction live in his features as if on a time-share basis. We believe in him, even grimly care for him, though he seems to beat up every passing life form. That includes Billy – "Fell off some scaffolding at work" the boy gamely explains to others – as well as complete strangers on the street whom Ray takes a notion to poke in the nose, as well as the sad and desperate Valerie. He thinks his wife has been unfaithful. She hasn't, but loses her baby as a result of the punchup. The small comfort is that in this purgatory it is one loss among many.

NIL BY MOUTH
Gary Oldman

VOLCANO
Mick Jackson

HEAD ABOVE WATER
Jim Wilson

JACKIE CHAN'S FIRST STRIKE
Stanley Tong

Kathy Burke brings an anguished stoicism to her role. Valerie's tragedy is not just that she is unhappy, but that she cannot express it. If she does, she gets another beating. You believe that it takes courage to stand up to this husband. Extending his unnerving cameo in Ken Loach's *Ladybird Ladybird*, Ray Winstone suggests a free-floating anger that feeds on its freedom. That puffy, bruiser's face is bloated with a misery that cannot speak its name. Instead it transforms and enlarges itself into a brutish machismo.

Nil By Mouth is full of passion yet entirely free of anger. It has no time to editorialise. It is too busy finding the reality in everything from facial expressions to settings. Oldman and cameraman Ron Fortunato barely even use "movie lighting". Faces have to fight with the smoky dimness of bars or with nocturnal streets *noir* with reality not poetic affectation.

Like all good horror stories, this one has moments of comedy: like the friend of Ray who mouths along to Dennis Hopper's *Apocalypse Now* dialogue on TV (one spaced-out sociopath recognising a kindred spirit) or the mechanical camels race, a sort of Sahara Subbuteo, that comprises one night out's mournful fulfilment in a games arcade.

Nil By Mouth is about empty spaces. Not just the lack of love or articulacy implied in the title, whose words Ray remembers from the sign hung on his dying father's hospital bed; but also the lack of passion and purpose that leads people to fill those voids with the surrogate paroxysms of vice and violence. This is a haunting, harrowingly intelligent first feature.

★

In Los Angeles the palm trees burn like candles, the streets are molten and Emergency Management chief Tommy Lee Jones has been called out for the emergency of his life. *Volcano* asks: What if the La Brea Tar Pits, L.A.'s famed prehistoric tourist site, exploded one day, gushing red-hot magma all over Hollywood?

"What's magma?" asks Jones. "Lava," answers seismologist Anne Heche. Like all Hollywood women scientists she is blonde, slim and under 30, as well as knowing words unfamiliar to Emergency Managers though known to almost every A-level student. Heche also has the traditionally expendable assistant who will be destroyed in the first set-piece blast.

After that, she and Jones spend 90 minutes retreating before the tide of magma/lava, hoping that by throwing things in its way like overturned buses or toppled skyscrapers (sic), they can divert it to the Pacific. There it can harm only L.A.s most expendable human commodity, the surfing population.

The film makes *Dante's Peak* seem like the works of Dante. The plot moves as sluggishly as the magma. The dialogue is bad for the braincells ("This city's finally paying for its arrogance"). And the effects, after a promising start, play diminishing variations on fire, smoke and falling ash. British director Mick Jackson (formerly of *L.A. Story*) has since taken the only possible career move that could distract the world from so dire a film: he has become a Booker Prize-shortlisted novelist.

Head Above Water, a misfiring murder comedy, at least has Harvey Keitel. Keitel's special flair is for looking at the world as if it has just said something insulting to him. In this case it was probably, "Would you like to act in this film?" Too stupefied to say no, the star of *Mean Streets* and *Reservoir Dogs* signed for the role of a holidaying judge whose wife (Cameron Diaz) kills a visiting old flame (Billy Zane) while Keitel and a friend are off fishing.

Or does she? The corpse hangs about, raising more questions than its owner ever did in life, while everyone mugs and gesticulates around it. Finally writer Theresa Marie and director Jim Wilson resolve matters with a collapsing gazebo, a bucket of cement and a chainsaw.

To understand why, you would have to see the film. On the whole, lack of understanding is better.

A Jackie Chan film is deeply satisfying, since it makes no demands on anyone save Mr Chan. The Hong Kong stunt hero – Bruce Lee with a touch of Harold Lloyd – fights, falls, jumps and becomes entangled in props, notably here a snowmobile and a stepladder with a mind of its own. The film has a forgettable plot and is badly dubbed: you seldom saw so many lip movements pursuing so many runaway vowels. But the modest fistful of dollars this film cost is still better value than the suitcaseful spent on *Head Above Water* or the exchequerful on *Volcano*.

Ray Winstone as the bullying husband in Gary Oldman's haunting, harrowingly intelligent first film, 'Nil By Mouth'

Theatre/Alastair Macaulay

Marivaux played to perfection

Oh les beaux jours. This autumn's French Theatre Season has started on a high. For this week alone, the National Theatre is graced by an exquisite production from the Comédie-Française – France's National Theatre – which is visiting London for the first time since 1973; and the play itself, seldom seen on our stages, is most compelling. Best of all, this production, directed by Jean-Pierre Miquel, shows to perfection the particular and highly refined virtues of this company's specifically French acting style, and employs it to reveal sublime and untranslatable features of the play.

The play is Marivaux's *Les Fausses Confidences* (1737), and it continually resembles the great finales of Mozart's three great da Ponte operas. Each new entrance radically transforms the colour of the drama; and the theme – which is intrigue – submits to one surprising and all-absorbing variation after another, until we hardly know where we are amid so much delirious, yet contained, suspense.

Dorante, a handsome and refined newcomer, so infects both Marton (maid) and Araminte (mistress) in the new household he has entered that both of them fall in love with him, and his manners are such that he wishes neither to break the heart of the former nor to presume on the heart of the latter. Meanwhile his uncle leads Marton to presume that he, Dorante, loves her, while others exert all kinds of pressure on Araminte to bestow her hand elsewhere, on the Count. It is Araminte who becomes the heart of the play as she takes charge of her own fate.

Miquel's production is so perfectly nuanced that it actually makes Marivaux the precursor of Proust. Yet more extraordinary is the way he makes the play seem like classical verse of thrilling restraint. Any British actor can learn from the beauty with which these French actors stand still; any British director can learn from the beauty with which Miquel blocks them; but the real beauty is the way that pulsating, rhythmic language emerges from them across their often still, suspenseful tableaux. Only Catherine Samie (the Glenn Close of the Comédie-Française) delivers the orotund, vibrato-laden elocution which has spoilt too many C-F productions; and, since she here plays the most exaggerated character, she may be forgiven, even enjoyed. Gerard Giroudin's Dubois is exemplary in delivery, and Laurent d'Olce is an ideal Dorante.

As Araminte, Cécile Brune speaks, stands, and moves with deeply affecting grace. Nobody more perfectly judges the intimate but quasi-poetic style of the production than she: with what light perfection does she point the interior rhymes of "Il ne sait ce qu'il fait", in what a ravishing chromatic scale does she softly utter "Tranquillisez-vous", with what gentle reflectiveness does she exclaim "Voilà les usages!" (The latter is nicely translated on the surtitles as "That's the way of the world!"). An evening of consummate artistry.

Lyttelton Theatre, London SE1, until October 4.

The Glenn Close of the Comédie-Française: Catherine Samie in the visiting French company's production of 'Les Fausses Confidences' Alastair Muir

Dance/Clement Crisp

Dim hallucinations

During the past five years, Wayne McGregor has gained a reputation for making fast-paced, on-the-electronic-edge dances which speak to today's kids, who are caught up in computer graphics, virtual reality and pop-video hallucinations. His choreography is best seen on his own physique (he can look like Nosferatu on Ecstasy), with its micro-second muscular responses, broken angles, and sinuous, eel-speedy track through space.

He launched a new season with his Random Dance Company on Friday at the Queen Elizabeth Hall. The chief offering was his *Millenarium* (a word new to me), which lasted 70 leaden minutes, with the added hazard of the Italian "Olympic Dance Company" in his *Medusa*.

It was an evening to vex even McGregor's admirers, and one to do no service to Anglo-Italian relations. *Millenarium* is one of those now-you-see-them-now-you-don't exercises in dance as hallucination, darkly lit (you grasp my meaning), set against computer-generated flickerings. In the real world, someone would have got up and smacked the set with a shoe while uttering the cry: "that bloody thing is on the blink again."

Not, alas, possible at the QEH. Solos, duets, quartets happened. The language seemed Cunningham *rechauffé*, with a touch of Trisha Brown, Jonathan Burrows, and Anglo-Saxon attitudes. It looked dated – late 1980s at best – and twitched unconscionably. Dinosaurs came and went on the earth. The accompaniment was electronic wall-paper. Costuming seemed to have been contrived from plastic bin-liners: in the gloom I thought I saw marvels of beading. But no – just boring old PVC. Ah well, the theatre is a place of illusion. And disillusion.

Worse was to come. The Olympic Dance Company romped in their individual, not to say uninteresting, way through *Medusa*. The dance's relationship to classical mythology escaped me. Indications as to casting there were none. McGregor's stupefying choreography made them seem anxious and ill-at-ease (I shared their every feeling), and one lady seemed to think that the piece was called "Me. Eleanora Duse" and behaved, alas, accordingly.

I note that the distinguished dancer Gheorghe Iancu, whom I have greatly admired in the past, was listed in the programme. He was lost in the general mélée.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

OPERA
Het Muziektheater
Tel: 31-20-551 8911
La Traviata: by Verdi. Netherlands Opera revival of a staging by Alfred Kirchner, conducted by Ralf Weikert; Oct 4, 7

■ BERLIN

CONCERTS
Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Claudio Abbado in chamber music by Hindemith, and Beethoven's Symphony No. 6 in F; Oct 2, 3

DANCE
Deutsche Oper
Tel: 49-30-34384-01
Deutsche Oper Ballet – programme of two works by MacMillan: Concerto and Das Lied von der Erde; Oct 2

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Tannhäuser: by Wagner. Conducted by Christian Thielemann in a staging by Götz Friedrich; Oct 3

■ BONN

EXHIBITIONS
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-917 1200
Kunsthalle Bremen: selection of important works including paintings, sculptures and copper engravings from the collection of the Kunsthalle Bremen. Ranges from 17th century Dutch painting to modern photography; opens tomorrow

■ CHICAGO

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
Peter Grimes: by Britten. Conducted by Mark Elder, making his Lyric Opera debut, in a staging by John Copley. Ben Heppner sings the title role; Oct 3, 6

■ COPENHAGEN

EXHIBITIONS
Louisiana Museum of Modern Art, Humlebaek
Tel: 45-4919 0719
The Louisiana Exhibition 1997: New Art from Denmark and Scania. First of a planned series of shows which will present contemporary work from the region, this show includes new works by around 50 artists; opens tomorrow

■ EDINBURGH

EXHIBITIONS
Royal Scottish Academy
Tel: 44-131-624 6200
Sir Henry Raeburn (1756-1823): major exhibition of around 70 works by this most famous of Scottish painters; to Oct 5, after which the exhibition will travel to London

■ LONDON

CONCERTS
Barbican Centre
Tel: 44-171-638 8891
London Symphony Orchestra: conducted by Richard Hickox in a programme of works by Vaughan Williams. With soprano Rosa Mannion; tenor Thomas Randle and the London Symphony Chorus; Oct 2

Royal Festival Hall
Tel: 44-171-9288800
World Piano Competition: afternoon and evening recitals by competitors in the Purcell Room, Sep 28 to Oct 5. The Grand Final is on Oct 7, with the Philharmonia Orchestra conducted by Alexander Sanderling, in the Festival Hall

EXHIBITIONS
Tate Gallery
Tel: 44-171-887 8000
Turner on the Loire: selection of watercolours, engravings, and a long lost oil which document the painter's tour of northern France in 1826, the climax of which was his journey up the River Loire; to Feb 15

OPERA
Barbican Theatre
Tel: 44-171-638 8891
● The Royal Opera: The Turn of the Screw, by Britten. Colin Davis conducts a new production directed by Deborah Warner. Cast includes Ian Bostridge; Oct 2, 4, 8
● The Royal Opera: Platée, by Rameau. New production directed and choreographed by Mark Morris, conducted by Nicholas McGegan; Oct 3, 7

THEATRE
National Theatre
Tel: 44-171-928 2252
Les Fausses Confidences: by Marivaux (1737). The Comédie-Française visits the National Theatre for the first time; Lyttelton Theatre; six performances only; to Oct 4

■ LOS ANGELES

EXHIBITIONS
Museum of Contemporary Art
Tel: 1-213-6266222
Jeff Wall: first retrospective exhibition of the Canadian artist whose photographic work draws on the narrative traditions of tableau painting; ends on Sunday

■ MUNICH

DANCE
Bayerische Staatsoper
Tel: 49-89-2185 1920
Bayerische Staatsballett: Swan Lake. Sets and costumes are by John Macfarlane; Oct 2

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
● Aida: by Verdi. Conducted by Roberto Abbado and directed by David Pountney, with sets by Robert Israel; Oct 3
● Le Nozze de Figaro: by Mozart. Conducted by Peter Schneider in a staging by Dieter Dorn. Cast includes Amanda Roocroft and Alison Hagley; Oct 4, 8
● Peter Grimes: by Britten. Conducted by Jun Märkl in a production directed by Tim Albery. The title role is sung by Philip Langridge; Oct 5

■ NEW YORK

CONCERTS
Lincoln Center
Tel: 1-212-721 6500
New York Philharmonic: conducted by Kurt Masur in works by Schubert, Liszt and Brahms. With piano soloist Boris Berezovsky; Avery Fisher Hall; Oct 3

EXHIBITIONS
Metropolitan Museum of Art
Tel: 1-212-879 5500
Private Collection of Edgar Degas: sold at auction after his death in 1918, more than 200 19th century French paintings and drawings collected by the artist; to Jan 11

■ PARIS

DANCE
Théâtre des Champs Elysées
Tel: 33-1-49525050
● Les Ballets de Monte Carlo: Romeo and Juliet; Oct 2, 3
● Les Ballets de Monte Carlo: Programme 2 – Violin Concerto, Dov'è la luna, and Who Cares?; Oct 4, 5

EXHIBITIONS
Musée du Louvre
Tel: 33-1-4020 5151
● A Mission to Persia 1897-1912: display of pictures, objects and photographs retracing the archaeological expedition led by Jacques de Morgan, paying tribute to his career and the mission's discoveries about the ancient civilizations of Iran; opens tomorrow
● Etchings from the Low Countries: display of 110 copper etchings dating from the 15th and 16th centuries. Includes works by Lucas de Leyde and Dürer; opens tomorrow

OPERA
Opéra National de Paris, Opéra Bastille Tel: 33-1-44731300
Le Nozze di Figaro: by Mozart. Conducted by James Conlon in a staging by Giorgio Strehler; Oct 2, 6

Opéra National de Paris, Palais Garnier Tel: 33-1-43439696
Pelléas et Mélisande: by Debussy. Conducted by James Conlon in a staging by Robert Wilson. Cast includes Dawn Upshaw; Oct 3, 5, 8

■ TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3289 9999
San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Copland, Bartok and Brahms; Oct 3, 8

■ ZURICH

EXHIBITIONS
Kunsthaus Zürich
Tel: 41-1-262-0909
Arnold Böcklin, Giorgio de Chirico, Max Ernst: Journey into the Unknown, comprising 130 paintings, collages and sketches; opens tomorrow

■ TV AND RADIO

● WORLD SERVICE
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
Monday to Friday, Central European Time:

● NBC/Super Channel
07.00: *FT Business Morning*
10.00: *European Money Wheel*
Nonstop live coverage until 15.00 of European business and the financial markets.
17.30: *Financial Times Business Tonight*

● CNBC
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

Labour has some tidying to do in its own backyard, says Brian Groom

Spotlight on summer of sleaze

Tony Blair used the word "beacon" 14 times in his speech this week to the Labour party's conference, referring to his aim of leading one of Britain's great, reforming governments. His beacon needs to shine all the more clearly into one of the dark corners of his own party – local councils.

Labour faces serious allegations against councillors, council officials or party members in eight places. They are Glasgow, Paisley, South Tyneside, Doncaster, Hull, Coventry, Birmingham, and the London borough of Hackney. The issues range from incompetence, cronyism and misuse of power through to bullying, vote-buying and alleged corruption. In sum, they do not mean that Labour's local organisations are corrupt. But they do suggest that while the government is zealous in its reform of other parts of the British system of government, the change in the culture of local government is likely to be painfully slow.

Some of the worst problems are in Scotland. Glasgow suffered a big blow to civic pride last week when Labour's national executive committee, the governing body, decided to suspend Pat Lally, the 71-year-old lord provost – Scotland's equivalent to mayor.

Easily the city's best known public figure, Mr Lally was suspended along with eight others including Bob Gould, the council leader. The NEC inquiry was provoked in February by Mr Gould, after he claimed that councillors were demanding foreign trips in return for votes.

What the nine have done wrong has not been spelt out: dishonesty is not suggested. Mr Lally said all he had been told was that the NEC discovered prima facie evidence of a breach of the party's rules and failure to operate correct procedures. Charges will be laid before Labour's national constitution committee.

While Mr Lally accuses Labour of denying him natural justice, Labour's leadership regards the decision as evidence that it is determined to act decisively when misbehaviour is alleged.

To be fair, malpractice is not the norm in the UK's 470 local authorities and when problems occur, they are not always Labour ones.

Suspended by Labour: Glasgow public figures Pat Lally (left) and Bob Gould

This summer though, Labour's troubles have been proliferating. They began in August with the suicide of Gordon McMaster, MP for Paisley South. Paisley's problems first emerged in 1995 when McMaster's ally Irene Adams, the Paisley North MP, spoke out about malpractices among party activists and councillors. Others made allegations of graft and back-handers, of "jobs for the boys" and council houses for councillors' relatives.

The Scottish Labour Party suspended the Paisley North constituency and began an inquiry into the party in Renfrewshire, of which Paisley is part.

In August, Labour suspended Tommy Graham, MP for Renfrewshire West, and is now carrying out a broader investigation of affairs in Scottish local government.

September brought a damning report into allegations of corruption at Doncaster council in South Yorkshire. After a three-month inquiry, the council said some councillors and officers had accepted "inappropriate gifts and hospitality" and admitted it had suffered "a significant failure" of its financial, strategic and corporate management.

Two senior planning officials have been suspended, and the chief executive and finance director have been released from their contracts. Labour has suspended the local party as well as three councillors. Police are investigating expense claims and links with property developers.

In nearby Hull, Labour is looking at the way the local party operates and police are investigating complaints about the expenses of a former mayor, John Black.

Doncaster and Hull have been dominated for decades by "old industrial Labour" – ex-miners in Doncaster's case, and those from maritime industries in Hull. The problems are a particular embarrassment for the deputy prime minister, John Prescott, whose constituency is in Hull.

On South Tyneside, Labour's NEC will hear a report this month from an inquiry team sent to investigate allegations of membership irregularities and intimidation in its South Shields seat, constituency of cabinet minister David Clark.

Further south, Labour's difficulties in Birmingham stretch beyond local authority affairs. Three constituency parties have been suspended following allegations of vote-rigging and corruption. Two of the seats are held by ministers.

In Sparkbrook, Ladywood and Perry Barr, normal party life ended in February 1995 when the leadership launched an inquiry into claims that members had jumped the queue for housing renovation grants. The inquiry found no illegal activity, but unearthed other irregularities.

In Sparkbrook, about 300 of the party's 1,000 activists were expelled when identity checks failed to establish whether the members were on the electoral register.

In Coventry, where Labour dominates the city council, allegations of corruption centre on council officials. Last week the council launched an inquiry into claims of financial irregularities in its contract services department. Fourteen council workers were suspended, and six councillors are to be questioned.

At London's Hackney council, where Labour recently lost control after two decades in power, the government last month sent in a team to improve the schools after Ofsted, the education watchdog, said the system was in disarray because of years of party infighting.

The root of most of these problems lies in large majorities sustained over long periods.

"Take the one-party state, the weakness of the local press, small party memberships, low election turnouts, lack of vetting and control, and you will always get extreme examples coming up," says Alan Doig, professor of public service management at Liverpool's John Moores University.

What can be done? The government is proposing a new offence of corruption with the threat of up to seven years in prison.

In July, Lord Nolan's committee on standards in public life recommended that councils should develop their own codes of conduct within a framework approved by parliament. Each council should have a standards committee, it said, with power to recommend disciplinary action. There should also be an offence of misuse of public office.

"We entirely accept the committee's conclusion that now is the time to make a new start on the ethical framework for local government," the prime minister said. Councils expect the government to implement most, if not all, of Lord Nolan's recommendations.

Such reforms are all the more necessary not just to solve local problems but because, under the government's plans for devolving power – first in Scotland and Wales, later perhaps in English regions – local representatives could come to bear more of the weight of government in the UK. At the moment not all of them seem ready to bear that responsibility.

Additional reporting by James Buxton, Sheila Jones, Juliette Jowit, Chris Tighe and Richard Wolffe

Axe to the Olive Tree

Pension reform could trip up Italy in the final lap towards Emu, says James Blitz

"At one stage I thought a crisis unlikely but things have gone much further than I expected. Now there is now a very real danger that [Romano] Prodi [Italy's prime minister] could be forced out."

Thus Giorgio La Malfa, the leader of the Republican party which forms part of Mr Prodi's governing Olive Tree coalition.

The reversal has been traumatic and swift. A week or so ago, the mild-mannered Mr Prodi seemed to have come within a hair's breadth of achieving a historic transformation of Italy's fortunes by taking the country to the verge of Europe's economic and monetary union. The prospects for Italy's membership remain unprecedently high. The same cannot be said for those of Mr Prodi's prime ministership.

Both the crisis and the achievement so far have roots in the same thing: Mr Prodi's endeavours to cut the Italian budget deficit to meet the Maastricht criteria. When the Olive Tree coalition came to office 18 months ago, Italy was deemed a no-hoper in its bid to enter Emu. A record of political instability and loose budgetary control ruled it out of the first wave of countries forming Emu in 1999.

Since then, however, belt-tightening measures have dramatically reduced Italy's budget deficit to 3 per cent of gross domestic product, the level required by Maastricht. Its headline inflation rate looks set to be among the lowest in Europe this year. Entry into the club of first-wave Emu entrants looks all but assured.

Yet now, on the final lap, Mr Prodi could be tripped up. His government must implement a last round of fiscal retrenchment in its 1998 budget to ensure that its Emu bid is credible. But the measures he is introducing – in particular big cuts in spending on state pensions – are fiercely opposed by his far-left allies in parliament. Yesterday they rebelled, threatening to topple his government in a vote on the budget in November.

Cutting pensions is hard in every country and several European governments – including those in France and Germany – also face problems with spiralling pensions liabilities. But Italy's difficulties are out of all proportion to the rest. State pension outlays – which allow many people to retire at 52 – are 14 per cent of GDP, double the European average. The number of pensioners is set to equal the size of the total workforce by 2020. Mr Prodi, like prime ministers before him, is therefore determined to implement structural reductions in pensions spending. And in his case, reform is made the more urgent by the need to get into Emu.

The trouble is that reform is deeply unpopular. The government has been holding negotiations with trade union leaders, 50 per cent of whose members, surprisingly, are pensioners. The unions have said large-scale reform of the kind Mr Prodi wants is out of the question, though Sergio Cofferati, the most powerful of the union representatives, now accepts the possibility of raising the age of retirement.

Far more worrying for Mr Prodi, however, is the challenge from Fausto Bertinotti, the tough-talking leader of the Reconstructed Communist (RC) party. Although the party is not a member of the coalition, Mr Prodi relies on its 35 deputies for his majority in parliament. And Mr Bertinotti and his parliamentary colleagues – infuriated by the pensions proposals – are now saying they will vote down "this budget" when it comes to parliament.

Will they do it? Until yesterday, Mr Prodi and his colleagues were convinced that the 57-year-old RC leader was bluffing. Mr Bertinotti, they said, has spent much of his life in the pugilistic world of trade union negotiation and made similar noises over last year's budget, only to settle for compromise. A pledge from the government to boost job creation, they felt, may yet buy him off.

Now, however, concern is growing that Mr Bertinotti will execute his threat. This is because his concerns are not about pensions or job creation, but about finding a role for his party that stands out in the crazy patchwork of Italian politics. "He does not care at all whether Italy goes into monetary union," says Mr La Malfa of the Republicans. "But even more importantly, he fears that his party will be marginalised on the left if Prodi can strike a deal with the trade union movement over the budget – and reap the huge political dividend of being the man who took Italy into Europe."

If those fears come true, the question will immediately arise of how a new coalition can be formed. One suggestion was that the social democrats, who form the core of the Olive Tree coalition, could form a temporary alliance with the smaller parties on right who are the moment aligned with Silvio Berlusconi, leader of Forza Italia and former prime minister. In that event, Mr Prodi would stand down, giving way to the respected Treasury minister, Carlo Azeglio Ciampi, who has been given much of the credit for the move into Emu.

However, such an alliance would be fragile, testing the often difficult relationship between the Olive Tree's main branch, the Party of the Democratic Left, and the opposition parties – not to mention the patience of already nervous financial markets. In the words of Massimo D'Alema, the PDS leader, "only God can help this government now".

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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EU ruling will pose no threat to technology licensing in Europe

From Mr Jorge Segrelles.

Sir, In your article "EU is warned on technology licence ruling" (September 24) Jonathan Kapstein of Arco suggests that the chemical industry is upset about a proposed EU Commission decision on "site licences" that, according to Arco, "threatens the free flow of ideas ... in licensing ... agreements".

This reflects a misunderstanding of the case under review. The case described in the article is very fact-specific, and not of general application for licence agreements. It is not so much a licensing case as a dispute about ownership. The case concerns technology contributed in ownership by Halcon to a tripartite joint venture in 1969. In 1980, Arco bought Halcon's stake in the joint venture, which became a 50/50 Repsol/Arco joint venture. In 1986, when Spain joined the Common Market, Arco sold its entire stake to Repsol. Arco now argues that it owns the technology, and is attempting to prevent the former joint venture company from using the technology to build a second plant in Spain. Arco has its own plans to create new capacity and wishes to reduce competition with its new plant, thereby keeping prices high. In such a case, competition law should apply.

Thus, the EU Commission is simply applying traditional competition rules, found both in EU and national antitrust laws. These prohibit a company from imposing production limitations on a competitor. According to the Commission, this also applies if Arco were a licensor and Repsol a licensee.

Contrary to what Arco suggest, there is no proposal to ban "site licences", so long as the licensor expresses the willingness to license additional capacity and additional plants within the licensed territory on "normal commercial terms". These "normal commercial terms" may then be agreed later. Reports of the death of licensing in Europe are therefore greatly exaggerated.

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Spain

A disservice to investors

From Mr Hiten J. Dayal.

Sir, Sir Stanley Kalms (Letters, September 24) describes the hypocrisy, prejudice and ignorance he encounters from investing institutions as "disturbing". Those of us whose pensions and other savings are being managed by these same institutions might go further and describe their attitude as detrimental to our personal wealth.

By concentrating so much on corporate governance issues institutions do their clients a disservice in two ways. First, they use up the little time they may have with management teams on a matter which is never going to be sufficient for business success and is often immaterial to a particular company's results. Second, by failing to focus on the real business issues they make investment decisions which generally result in investment performance equal to or inferior to the relevant indices.

Rather than looking at corporate governance within industry, institutions would do well to address the imbalance between the high salaries paid to those making investment decisions and the disturbing level of ignorance identified by Stanley Kalms. Then, perhaps, there will be an improved value relationship between management charges levied and investment performance delivered.

Hiten J. Dayal,
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Pension funds have changed tack

From Mr John Harper.

Sir, The National Association of Pension Funds' decision to press for a compulsory vote on the remuneration report ("Pension funds to call for votes on boardroom pay", (September 29) appears somewhat contradictory to its previous statements on votes on individual remuneration packages.

In *Good Corporate Governance*, published in 1996, NAPF argued against votes on individual remuneration packages on the grounds that "shareholders would not have the necessary information to make an informed decision on such matters".

"Thus," it stated, "processes must be promoted which ensure that ... investors are not forced into setting company remuneration policy." To do so, as the NAPF rightly pointed out, "runs the risk of introducing an element of short-termism in respect of corporate strategy". The Institute of Directors agrees with this and feels calls for compulsory votes on the remuneration report should be rejected on the same grounds.

In the final analysis, as the Hampel committee report on corporate governance points out, it is for the board to deal with such matters, giving due consideration to all relevant factors. Shareholders, for their part, should make sure that enough good quality directors are appointed to the board, and that these directors are encouraged to perform their duties responsibly, and with enterprise and integrity.

John Harper,
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Scope for incapacity benefit savings has been over-stated

From Mr John Wells.

Sir, The £25bn figure for the cost to the government of "long-term sickness benefit" quoted in your story Blair makes welfare reform top priority" (September 29) is, by several orders of magnitude, a huge over-estimate, and is thus extremely misleading.

The cost of incapacity benefit (which has replaced long-term sickness benefit) was £8bn for 1.8m recipients in 1995-96 (Fig 12, p.16, DSS Expenditure Plans, CM 3616). Table 5, p.119 of the same document has a figure for *"long-term sick and disabled"* of £25bn. But this includes in addition to invalidity benefit: attendance allowance, mobility allowance, disabled living allowance, industrial injuries disablement benefit, severe disablement allowance, invalid care allowance, war pensions motability and other categories.

Since the government is not, I think, contemplating driving the severely disabled, their carers and war pensioners into the labour market, it is the lower figure of circa £8bn that is the relevant figure.

Presumably the FT has used a press briefing without checking the facts. But, if ministers truly believe there is scope for £25bn savings here, they are in for quite a surprise!

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Thursday October 2 1997

Liffe and afterlife

The decision by the Chicago Board of Trade to build its expansion in London around an electronic trading system raises questions about the survival of open outcry trading in Europe's futures markets. Coming after the move by the French stock and derivatives exchanges to join an all-electronic Swiss and German alliance, it leaves the London International Financial Futures and Options Exchange (Liffe) looking increasingly isolated in holding out against the electronic trend.

That is not to say that the merits of open outcry have suddenly disappeared. The system is highly efficient, especially in conditions of extreme volatility. The question is rather one of cost. Overheads associated with open outcry are twice or three times higher than those of screen-based trading. Including other fixed and variable costs, trading German government bond futures on Liffe can cost up to seven times more than exchanging identical products on the electronic Deutsche Terminbörse. Small wonder DTB has been gaining market share in this area.

Liffe responds by pointing to its dominance in short-term interest-rate derivatives, the part of the market that will be hardest hit by economic and monetary union. But this success is due not to its trading system but to the concentration of money-market activity in London and the greater worldwide recognition that London interbank rates enjoy compared to other benchmarks.

Even Liffe concedes that the performance of electronic systems is sufficient for bread and butter trading – orders of 100 to 1,000 contracts which constitute the overwhelming majority of trades – and extreme conditions have become too scarce to require continuous floor trading. The last time DTB's computers were unable to cope with a surge in activity was in 1994, when a rate rise by the US Federal Reserve prompted a world wide bear market in bonds.

Paradoxically, Liffe has one of the most advanced electronic trading systems in Europe, Automated Pit Trading, which is underused as it is only operated after the market closes. A transition to electronic trading would also allow Liffe to forge closer links with the London Stock Exchange, which is switching to an all-electronic format this month. Such links will become vital as competition between Europe's exchanges increases in the run-up to Emu.

Continental European exchanges are ahead of the UK on that front. The German and Swiss derivatives markets are already controlled by their stock exchanges and the Paris Bourse recently announced it was taking over its futures and options exchange, Matif, as a preliminary to increasing co-operation with its neighbours.

Liffe's commitment to open outcry has taken a toll. An earlier attempt by the Chicago Board of Trade to co-operate with Liffe through an open outcry link foundered because its members feared this might undermine the development of their own electronic system. In August Lloyds TSB closed its 40-strong floor operation.

If Liffe wishes to stem desertions it should allow members to choose which system they want to trade on. And APT should run throughout the day, in parallel with pit trading.

Spanish virtue

How do you get your economy caught in a virtuous circle? Ask José Maria Aznar, the Spanish prime minister. Just 16 months after his conservative Popular party came to power in Spain, his country is firmly set to become a founder-member of the European single currency. Its economy is enjoying an unprecedented combination of rapid growth, low inflation, and a positive current account in the balance of payments.

The budget presented to the Spanish parliament this week looks well-founded: it is based on a forecast spending growth rate of 3.2 per cent, below the 3.4 per cent economic growth rate estimate which government ministers considered conservative. The forecast budget deficit is put at 2.4 per cent, well within the 3 per cent criterion set by the Maastricht treaty for economic and monetary union. Mr Aznar insisted on last-minute cuts to make sure there was no hint that he was relaxing his austerity.

A vital factor in boosting Spain's economic and budgetary performance has been the recent sharp reduction in interest rates. As the likelihood of Spanish membership of Emu has increased, so the interest-rate differential with Germany has shrunk, making the prospect ever more real. The gap has shrunk from 350 basis points when the PP came to power, to just one-tenth of that today, dramatically reducing the cost of servicing government debt, and making all the budget cuts much less painful.

Yet there are two clouds on Mr Aznar's horizon, one economic, one political. The former is his failure to use such a favourable point in the economic cycle to embark on overdue structural reforms. Without them Spain may still be struggling once it is inside Emu.

Those reforms include radical steps to increase labour flexibility, and to curb the inexorable rise in pension and welfare costs. Tax reforms have been promised, but not delivered. Land laws need to be overhauled. Much of the Spanish economy is still coloured by the corporatism of General Franco.

On the political front, Mr Aznar remains dependent on the support of the Catalan nationalist party, whose leader, Jordi Pujol, is an unpredictable ally. So Mr Aznar should be using the blue skies shining over the Spanish economy to press ahead with more radical reforms. The opportunity may not return so soon.

Vexing voitures

It seemed like a recipe for Parisian chaos. Late on Tuesday Dominique Voynet, France's environment minister, decreed that – *zut alors* – half the capital's cars should stay off the roads yesterday morning in the interest of cutting car fumes. Those several million people with the bad luck to have a car licence plate ending in an odd number had to leave their vehicles at home or give a lift to at least two other passengers.

In fact, yesterday passed off surprisingly smoothly on the roads in and around Paris. Police reported 15 per cent less traffic in the city and 35 per cent less on the Paris *périphérique* ring road. Use of the Paris Metro, where travel was free, rose by 20 per cent. Pollution fell, though largely thanks to a change in the weather.

Perhaps just as many road commuters decided to take the day off as those who took public transport or car-pooled. Perhaps, too, Ms Voynet's action will have a salutary effect in making Parisians wake up to the growing pollution problem in their otherwise beautiful city.

But a country that prides itself on *planification* needs to come up with something less arbitrary for the future. Certainly, Ms Voynet – who leads the Green party – was acting within a 1996 law that provided for car-use rationing at times of peak pollution. There was, however, a suspicion that she might have been taking revenge on fellow ministers who earlier this month blocked her plan to close the tax advantage that diesel enjoys over petrol in France.

Indeed one solution might be to remove that fiscal preference for diesel altogether. Nearly one-third of all French-made cars are diesel-powered. Yet few French, except Peugeot's Jacques Calvet, seriously dispute that the diesel engine is more polluting and produces more of the particulates that combine with the sun to make smog.

Another answer might be to rethink the massive building of underground car parks – set in train by President Jacques Chirac in the 18 years he was mayor of Paris – that has enticed commuters to bring their cars into the city. Cannot *road-pricing*, in which the French through their autoroute *péages* have led Europe, be introduced at the gates of Paris? Or perhaps car-pools might be permitted to use bus lanes, inside the city? These are solutions that Ms Voynet might mull over this morning as she cycles to her ministry.

Internet takes on the phone

Technological upheaval and ferment in US telecoms lie behind WorldCom's bid for MCI, says **Tony Jackson**

Yesterday's $30bn bid by WorldCom for MCI, its fellow US telecoms company, is one of the biggest in history. It also has a fair chance of success.

Yet until 18 months ago, few non-specialists had even heard of WorldCom. Odder still, the company is bidding in competition with the UK's venerable phone giant British Telecommunications, which has more than triple its revenues and makes profits of almost £4bn, while WorldCom barely breaks even.

What does this tell us? First, that the internet is tearing up the rules of telephony, as it is many other businesses; second, that the sheer speed of the telecommunications revolution still plays to America's strengths, while the rest of the world struggles behind. As a result, new companies with expertise in internet technology are challenging traditional telephone companies. And the focus of change in telecoms has shifted from creating world alliances to competing in the US domestic market.

These points are illustrated by WorldCom's recent history. Two years ago, it had a market value of $5bn. Now, after voracious acquisitions, it is worth $32bn – slightly more than its target.

Most of those acquisitions have come in the related worlds of data transmission and the internet. In August last year WorldCom paid $14bn for MFS, another telecoms upstart which has ringed the world's financial centres with optical fibre, and which owned UUNet, the world's leading supplier of access points to the internet. Three weeks ago, WorldCom did a deal making it the operating network for AmericaOnLine, the leading US internet provider. Yesterday, as a footnote to the MCI bid, it paid $2.9bn for Brooks Fiber, a local US provider of broad-band telephony.

Buying MCI seems a large but logical next step. MCI was a pioneer in building the internet backbone – the network of wires that binds the whole system together – and remains at the cutting edge of the technology. Put together, the two companies would be well placed to exploit the advent of so-called "internet telephony", whereby phone calls will go cheaply through the internet, bypassing the traditional phone companies.

That lies in the future. Meanwhile, another aspect to the deal appears to give WorldCom an edge in its contest with BT.

Over the years, WorldCom has built up a sizeable presence in US local telephony, which will be strengthened by yesterday's purchase of Brooks Fiber. Like MCI, it has concentrated on providing sophisticated broadband connections to business customers. Until recently, government rules barred long distance operators from offering basic local telephony to the home. MCI is the US' second largest long-distance company; WorldCom is fourth.

Now that the rules are changing (see accompanying article), MCI is spending very heavily in an attempt to break into the local market, previously the stronghold of regional monopolists, the so-called Baby Bells. MCI's unexpectedly high spending plans, when published three months ago, provoked a revolt among BT's shareholders. In response, BT cut its offer price sharply. And since its original offer was lower than the $41.50 a share now being bid by WorldCom, it seems inconceivable that BT can cap it.

WorldCom makes the remarkable claim that it can save $2.5bn in the first year of the merger from better use of the combined network and cost savings. This is in sharp contrast to BT, which has virtually no presence in the US domestic market, and could only hope to act as banker to MCI's local ambitions.

This points to two lessons. First, the slow process of deregulation in the US market is acting as a roadblock to outsiders such as BT, though within the US, as might perhaps have been predicted, the technology is mutating rapidly and bypassing the regulators. Second, the chief thrust of strategy within global telecoms is subtly shifting. When BT was triumphantly announcing its proposed link up with MCI almost a year ago, the name of the game in telecoms was global alliances. That has now been overtaken by the turmoil within the US market.

Thus, one big question a year ago was what AT&T, the US long-distance giant, would do in response to the BT-MCI deal. The questions now are different: how can AT&T resist the brutal warfare being waged by its domestic competitors? Can it even survive in its present form?

If the WorldCom bid were to succeed, the hole in BT's worldwide strategy would be all the more cavernous. In London yesterday shares in various other telephone companies, such as Cable & Wireless and Vodafone, jumped as traders speculated that BT, thwarted in its US ambitions, might turn elsewhere.

But the lack of a US presence would be a severe blow to BT's global plans. Nor would an MCI-WorldCom merger be popular with Deutsche Telekom or France Telecom, which have a three-way alliance with the US long-distance company Sprint. At present, Sprint is third in the US long distance market after AT&T and MCI. A combined MCI-WorldCom could make it an also-ran.

The point can be applied more generally. In the world of old-style telecoms giants, BT counts as positively nimble. Unlike the most of its counterparts around the world, it threw off the dead hand of state ownership more than a decade ago. By contrast with WorldCom, though, it seems positively old-fashioned. So on the one hand were two large companies on either side of the Atlantic aiming at an old-style alliance. On the other, WorldCom represents the opportunistic flowing together of various technologies thrown up by rapid change.

The contrast has added poignancy when we recall the terms in which the BT-MCI merger was presented last November. BT, we were told, might be a touch staid and slow-moving. But MCI was the maverick among phone companies, which had made its fortune taking on the might of AT&T and winning. MCI, it was implied, was the new ingredient to add zest to the BT culture.

That proposition now seems to be stood on its head. In a US context it is MCI which seems slightly old and tired, sufficiently shaken by the pace of change to seek refuge in BT's embrace.

Companies like WorldCom represent the next generation: immensely fast-moving, amorphous and unpredictable. The same description could be applied to the telecoms business as a whole. It is a world in which veterans such as BT – to say nothing of Deutsche Telekom, NTT of Japan and all the other national behemoths – look increasingly out of place.

Little local difficulties

As William Kennard, the likely next chairman of the Federal Communications Commission, went before a group of senators in Washington DC for a confirmation hearing yesterday morning, there must have been an extra spring in his step. America's fastest-growing telecoms company had just come up with one answer to the question that has plagued his predecessor at the FCC and made a nonsense of last year's supposedly revolutionary Telecommunications Act: How do you open the country's monopoly local telephone exchanges to real competition?

This is a question that President Bill Clinton's nominee to run the telecommunications regulator knows all about. As general counsel to the FCC, Mr Kennard has been deeply involved in efforts to open the $100bn local calling markets. These are dominated five so-called Baby Bells and one other large local carrier, GTE – companies that have shown no inclination to let rival carriers on to their turf since this was permitted by Congress. The FCC's own attempt to lay national ground rules for opening these local markets, developed by Mr Kennard's staff, was overturned by a Federal appeals court this summer.

A company from the boondocks of Jackson, Mississippi may just have come to his aid. While politicians in Washington wring their hands, a group of small competitive local carriers has been taking root around the country. By combining several of them into one company and melding them with a broad array of long-distance and internet services, WorldCom may be about to create the first serious competition to the local carriers.

The problem for many would-be competitors to the Baby Bells is that they rely on buying calling capacity wholesale on the existing networks, then reselling this to their own customers. This, says Bernard Ebbers, chief executive of WorldCom, is a low-margin business that will not yield a satisfactory profit. By owning its own switches, local loops and other facilities, he adds, a carrier can make gross profit margins of as much as 60 per cent from local calls.

Building these networks, though, is costly. This year, AT&T has attempted a short-cut by trying to negotiate a merger with one of the Baby Bells, SBC Communications – a deal that the outgoing FCC chairman, Reed Hundt, deemed unacceptable on competition grounds. MCI, the company for which Mr Ebbers is now bidding, has had to renegotiate the terms of an acquisition by BT after running into difficulties with building networks of its own.

Failed or delayed business strategies like these have helped prompt fears that real competition in local calling could be delayed for years.

The arrival of a new breed of local super-carrier could help to change that. Putting the MCI and WorldCom networks into one company – and combining them with Brooks Fiber, another company Mr Ebbers bid for yesterday – would create a series of exchanges covering 92 cities.

With that scale, WorldCom would have the depth of financial, technical and management resources that the mainly small competitive local companies lack. Mr Ebbers' management team also believes it can save $1.2bn in annual costs from its local networks within five years.

Wall Street was looking for something similar yesterday from AT&T, whose strategy in the local markets is temporarily on hold while it finishes the search for a new chief executive. The most likely candidate: Teleport, a local carrier which would be left as the biggest rival to WorldCom. And if the fear of getting left behind forces the giants of the business to wade into the local market, then Mr Kennard will certainly have something to be thankful for when he begins his new job.

Richard Waters

· OBSERVER ·

Missing Persson

■ Göran Persson, Sweden's Social Democrat prime minister, has a political hide as thick as a rhinoceros, but even he is smarting over accusations that he has snubbed Jose Maria Gil-Robles Gil-Delgado, president of the European Parliament.

The Spaniard was due to begin a visit to Sweden on Monday, at the request of the Swedish parliament, and wanted half an hour with Persson. But next week sees the first parliamentary debate between Persson and Carl Bildt, his Christian Democrat arch-rival who has just returned to Swedish politics after his spell in Bosnia. It's viewed as a trailer for next year's election campaign, and the Swedish PM said he was busy preparing.

Gil-Robles said he'd stay on in Stockholm until Tuesday mid-morning, but Persson said he had an all-day meeting of the full Swedish government. The result: a pasting in the Swedish press, which has cast him as a Eurosceptic.

Gil-Robles has let it be known he's happy to delay the visit until Persson is free. But the King of Sweden was all lined up to roll out the red carpet for the top Euro-parliamentarian, and he's now said to feel snubbed.

When it comes to protocol, it seems no one can win.

Borderline case

■ There are few tougher critics of the French government's policy of cutting working hours to protect jobs than Jean Gandois, chairman of the Patronat employers' federation. He's also a stern opponent of expanding public spending.

So the French, who don't often pay much attention to their Belgian neighbours, are taking an interest in a deal signed by the Cockerill Sambre steel company over the border to cut the working week, all pushed along by a hefty government job protection subsidy.

In his capacity as chairman of Cockerill, Gandois denies any inconsistency: it's a fine example of his preference for making judgments on a case-by-case basis, rather than government regulation.

Fit as a Fidel

■ Cuban President Fidel Castro buried rumours of his death by the simple expedient of appearing on television at the weekend – pinning a gong on visiting Malaysian Prime Minister Mahathir Mohamad – but hasn't put paid to speculation about his health.

State broadcasters, who are well used to flattering the 71-year-old "Comandante", avoided close-up shots, but the trademark olive green uniform, which usually fits snugly, was hanging loosely in places. At a diplomatic reception later, foreign ambassadors said he'd lost a lot of weight and looked pale, even gaunt. One thought he was wearing make-up.

Cubans will be watching closely how Castro holds up to next month's Communist party congress, and how he handles a planned visit in January by Pope John Paul, who is himself not in the best of health.

Al's peak

■ Feted by other central bankers and economists as the hero of the US's economic success, Alan Greenspan has finally received an award which is surely his due.

The International Forum of Alans will next week name the Fed chairman "Alan of the Year 1997." The organisation was founded in 1995 to promote the cause of men (and, it claims, women) around the world bearing any form of the name's spelling and gives annual awards to high-achieving Alans. Its aim is to see "a million new Alans" by 2000.

The citation for Greenspan says he added "new lustre to an often neglected name" because he "brilliantly said virtually nothing about the economy that could be interpreted as either good or bad news, thus almost single-handedly maintaining the fabulous bull market on Wall Street". The Fed was suitably silent on how Greenspan might celebrate his triumph.

Olympic heights

■ When a chief executive feels under threat, the profit forecasts often start looking rosy. So it is at Olympic Airways, Greece's troubled state carrier, where suave top gun Jordan Karatzas – an airline consultant who started out with PanAm and had a hand in restructuring several Latin American carriers – is in the embarrassing position of having to re-apply for his job.

There's never been much job security in the Olympic cockpit – few even last a year – and tough new transport minister Tassos Mantellis has just asked headhunters to find someone to face down the airline's 17 powerful unions. There have been about 50 applications for the hottest seat in the Greek public sector. The trouble is that many aren't highly qualified international managers who happen to speak Greek. Like Karatzas, they're present or former Olympic executives looking for a second chance.

The Financial Times

100 years ago

The Crisis At Athens

Athens, 1st Oct. The Chamber met yesterday evening to consider the peace preliminaries. The Premier said the conditions of the preliminary peace treaty which he brought before the Chamber were onerous, more onerous than anyone could have supposed. The indemnity demanded was greater than the resources of the country could bear. It amounted to more than the real expense of the enemy. A control was established over the finances of the country, and the privileges of Greek subjects in Turkey were encroached upon.

50 years ago

Rationing Urged In U.S.

Washington, 1st Oct. President Truman's Council of Economic Advisers to-night urged the President to consider the restoration of price control and rationing in the United States as possible steps if the voluntary food saving campaign failed. The Council presented a report to this effect shortly after the President's first meeting with his newly formed Citizens' Food Committee and his appeal to the U.S. to eat less bread and save 100,000,000 bushels of grain for hungry Europe.

FINANCIAL TIMES
Thursday October 2 1997

UK intends to abandon advance corporation tax

By David Wighton, Political Correspondent

The UK government is planning to scrap advance corporation tax as part of a radical tax overhaul which would cut hundreds of millions of pounds from the bills of some of Britain's leading companies.

Among the biggest gainers from the changes to corporation tax would be the privatised water companies, whose low tax payments were fiercely criticised by Labour in opposition. But the surprise move could leave smaller companies that do not pay dividends worse off.

UK business is likely to welcome the proposals, which would remove distortions from the tax system while protecting the £30bn ($48.3bn) yield from the tax.

The impact on the exchequer of abandoning ACT would be offset by making companies pay some of their corporation tax on a quarterly basis rather than nine months after their financial year-end. The biggest gainers would include companies that pay high dividends but earn most of their profits overseas. The water companies would also benefit because their high capital allowances mean most of their corporation tax is paid in the form of ACT.

But companies that do not pay dividends would be worse off as a result of the move to quarterly payments.

Gordon Brown, the UK chancellor, is expected to publish the proposals in next month's consultative "green budget" before taking the final decisions for next spring's Budget.

Treasury ministers have concluded that scrapping ACT is the logical extension of the changes to the taxation of dividends announced in the July Budget. Mr Brown was criticised for removing the tax credits on dividends received by pension funds while retaining the ACT companies pay on dividends.

The ACT system, introduced in 1973, penalises companies which pay large dividends out of profits earned overseas. But Mr Brown also announced plans to end in 1999 the foreign income dividends (Fids) scheme introduced by the previous government to mitigate the problem.

The moves caused a storm of protest from large UK companies, some of which warned they might consider relocating overseas. The government was forced to announce a partial climbdown, with Geoffrey Robinson, the paymaster general, launching a consultation with business over the best way to tackle the problem.

Mr Robinson put forward proposals that involved setting conditions companies would need to meet in order to continue paying Fids. But ministers now favour the more radical solution of scrapping ACT. "We are just waiting for business to say that that is what they want," said one.

Brown eyes reform, Page 12
See Lex

Deutsche Bahn in campaign to tackle late trains

Ralph Atkins in Bonn

Deutsche Bahn, Germany's railway operator, has finally faced up to a fact well-known to millions of its passengers: the country's trains no longer run on time.

What is more, the company has announced that if punctuality is not improved, 4,000 managers will lose part of their year-end bonuses.

The launch by Johannes Ludewig, Deutsche Bahn's new chairman, of a "punctuality offensive" not only underlines the economic pressures on Germany's transport infrastructure, it also highlights the country's increasing embrace of Anglo-Saxon ideas on performance-related pay.

In a speech to the German train drivers' union, Mr Ludewig said: "We have an unacceptably high level of unpunctuality. The causes run through all areas of the business and at all levels....The old saying 'punctual as the railway' must become once more the trademark of Deutsche Bahn."

Deutsche Bahn has not yet published punctuality statistics but German rail passengers are used to trading travel horror stories. "The InterRegio [suburban service] is always late – up to an hour sometimes – and one morning it didn't come at all," said Christiane Kandler, waiting for her train home from Bonn's main station last night.

Matters have not been helped by old rolling stock and infrastructure inherited after German unification in 1990. The complexity of the rail network – the most extensive in Europe – makes it prone to widespread "domino-effect" delays when a single train is late. But many passengers also suspect the delays reflect modern German attitudes towards a service-oriented culture.

Mr Ludewig – a former government state secretary who was educated at Stanford University, California, and at the Ecole Nationale d'Administration in Paris – has only been Deutsche Bahn chairman since July. He is overseeing the run-up to a company listing on the stock market.

In his speech, he offered rail drivers reassurance that no one sector of Deutsche Bahn's 250,000 employees was being blamed. For this reason, a proportion of the performance-related bonuses of 4,000 managers would depend on the service halving by next May the total length of delays.

Details of the scheme are being worked out, but statistics on late arrivals and the proportion of bonuses covered by the punctuality target will be published, Deutsche Bahn said.

THE LEX COLUMN

We are the World

Even in an industry used to telephone number-sized deals, WorldCom's $30bn bid for MCI takes some beating. The aggressive US operator is offering a premium of perhaps $13bn to MCI's fair value on a stand-alone basis and $6bn more than the renegotiated offer from British Telecommunications.

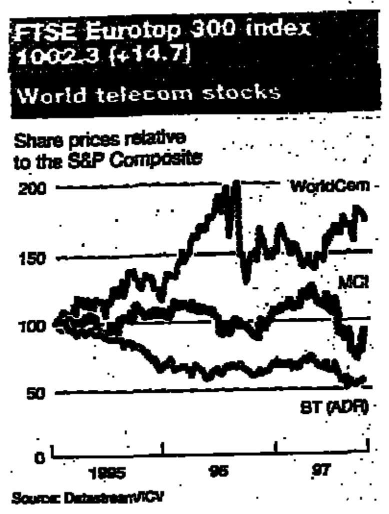
MCI is clearly worth more to WorldCom than to BT. Because both are largely domestic US operators, they should be able to achieve much greater cost savings by merging local and long-distance networks. WorldCom puts those synergies at $2.5bn in 1999. Taxing those and applying a multiple of 10 times earnings would suggest added value of $15bn, meaning the deal might just stack up from the perspective of WorldCom shareholders. But a third of those savings are simply reduced capital spending by MCI. How much revenue will be lost if MCI does not build as big a local network as originally planned?

Moreover, there is a whiff of the bull market about WorldCom's all-paper offer. The highly acquisitive group, valued largely on future potential, is using its rating of over 40 times expected 1998 earnings to buy itself a substantial profit stream.

BT's share price leapt for joy yesterday, in relief that WorldCom's offer has offered it an escape route from a risky and dilutive acquisition. Even after August's renegotiation, BT's bid looked like destroying value for its own shareholders.

Nevertheless, BT is now in a bind: without MCI, there will be a gaping hole in its international strategy. One response would be to increase its own bid. With luck, BT management will reject that option; but, if not, shareholders should vote it down. That, though, does not necessarily mean BT is out of the game. It could try to knock the value of WorldCom's bid by rubbishing the company. That would be a high-risk strategy: but given the stratospheric value of WorldCom's paper there would be a sporting chance of success. But even if it did succeed, it would hardly be in BT shareholders' interests.

It would be much better to negotiate some form of three-way deal. BT's Concert joint venture for serving multinational clients with MCI could continue with the enlarged group. Indeed, a stronger US partner and the inclusion of WorldCom's non-US assets would be a bonus. Such an approach would also allow BT to restructure its balance sheet. As a first step, it could sell its $6bn stake in WorldCom/MCI. With that extra cash, it could afford to buy back perhaps £10bn worth of shares without stretching its balance sheet. With such financial engineering, BT shareholders would secure earnings enhancement of around 20 per cent compared with the 10 per cent dilution buying MCI would cause.



BT management, of course, will not like shrinking the business. But with its reputation for effective deal-making sullied by recent events, it will be under strong pressure to deliver.

Japan

The news from Japan goes from bad to worse: first, the hammer blow of second-quarter gross domestic product declining by 2.9 per cent; now the grim Tankan survey of business sentiment. Not only is the mood worse than a few months ago, but no improvement is expected. And some of the detail is disturbing: rising inventories, falling retail prices and a depressed small business mood, which spells trouble for employment and consumer spending. Then there is the looming shadow of south-east Asia – destination for 18 per cent of Japan's exports and 4 per cent of its bank lending.

There is no doubt that Ryutaro Hashimoto, the prime minister, erred badly in pushing through aggressive tax increases in April. True, with the worst fiscal position among leading economies, he was in a tight spot. But the patient was clearly not strong enough for the medicine. Now he sits in a hopeless position. Fiscal reflation is not an option – the public has turned against public spending programmes and he himself was elected on a mandate to improve government finances.

With official interest rates at 0.5 per cent and the US vociferously against further yen weakness, there is precious little room for monetary manoeuvre either. For investors, the best response is to stand aside. There is too much economic uncertainty to start getting brave with equities. As for bonds, even if inflation, adjusted for tax distortions, is slightly negative, a real yield of around 2 per cent is hardly enticing.

UK taxation

The British government made a pig's ear of its abolition of dividend tax credits received by pension funds in July's Budget. Its plan now to consign advance corporation tax (ACT) to the dustbin will partly clean up the mess. The move will be particularly welcome to companies that pay more ACT on their dividends than they can count against their mainstream corporation tax.

Such surplus ACT payers come in three main categories: multinationals with large foreign earnings; loss-making companies; and groups whose taxable UK profits are depressed by high investment. In the latter category, the biggest winners are the water companies, whose after-tax earnings could rise by 5-10 per cent. Such a windfall may not be what a government that has just imposed a windfall tax on the water sector intends. But it would have poetic justice.

Longer term, abolishing ACT should change the behaviour even of companies that do not pay surplus ACT. No longer would there be any disincentive for those with spare capital to return it to shareholders. Reuters, for example, has long been deterred from distributing its cash pile because doing so would incur surplus ACT. Underperforming companies making big disposals – like BTR, Dalgety and MEPC – would also face no tax obstacle to handing all the cash back to investors. Ironically, again, big pay-outs to shareholders may not be what this government intends. But it could lead to a healthy recycling of capital to companies that can use it better.

Additional Lex on W.H. Smith, Page 25

Ramos urges deal with Marcos family over gold

By Justin Marozzi in Manila

Philippine President Fidel Ramos yesterday took steps to reach a negotiated settlement with the family of the country's late dictator, Ferdinand Marcos, over rival claims on the billions of dollars worth of gold alleged to be sitting in Swiss banks.

Mr Ramos urged Congress to allow the government to negotiate a deal with the Marcoses, saying this would be the quickest way to resolve the dispute that has been running since Mr Marcos was ousted in the 1986 People Power revolution.

Imelda Marcos, the former first lady who became the power behind the throne during the later Marcos years, moved quickly to support the president's move. "It is time for a settlement between the Philippine government and the Marcos family to settle the assets for the benefit of the Filipino people... and to prevent spurious foreign claims," she said.

The prospect of recovering the Marcos assets has sparked off fabulous stories by the three parties disputing it – the government, the family, and 10,000 victims of human rights abuses under the Marcos regime.

Imelda Marcos: backs Manila's moves for a settlement

Talk of a deal between the Marcos family and the Ramos government has also intensified speculation about political manoeuvring before presidential elections next May. One political observer said the government was wooing Marcos support for the administration's candidate and receiving a favourable settlement in return. According to Mrs Marcos, her late husband legitimately amassed tons of gold as a part-time precious metals trader before reaching the presidency in 1965.

The recent flurry of claims in the long-running quest to recover the gold was prompted by Robert Swift, a US lawyer representing the 10,000 human rights victims. He said 1,241 tons of Marcos gold were sitting in Swiss bank vaults.

Mr Swift has accused a senior Philippine government official of selling 1.1m ounces of the gold in 1993 and depositing $466m in proceeds in Bank Julius Baer in Switzerland this summer.

On Monday, a treasure hunter giving evidence in a Los Angeles court said he saw $13bn of alleged Marcos gold in a bank vault.

Union Bank of Switzerland and Bank Julius Baer have said they will appeal against injunctions issued by the US court, freezing any Marcos assets. Neither UBS nor Julius Baer has ever handled any Marcos money, according to their spokesmen.

Business confidence slips in Japan

Continued from Page 1

government has insisted that the recent economic weakness was a temporary phenomenon caused by a rise in consumption tax in April.

However, senior officials are now admitting that tax increases appear to be having a larger impact on the economy than expected. The Tankan results are likely to increase the pressure on the government to stimulate the economy.

The Ministry of Finance is now planning to unveil new measures to encourage growth in the coming weeks. They are unlikely to offer large tax cuts, but will include deregulation and a revision of the corporate tax regime. Another key element will be reforms to develop the market in asset-backed securities, in an effort to revitalise Japan's ailing property market and help its banks reduce their bad debts.

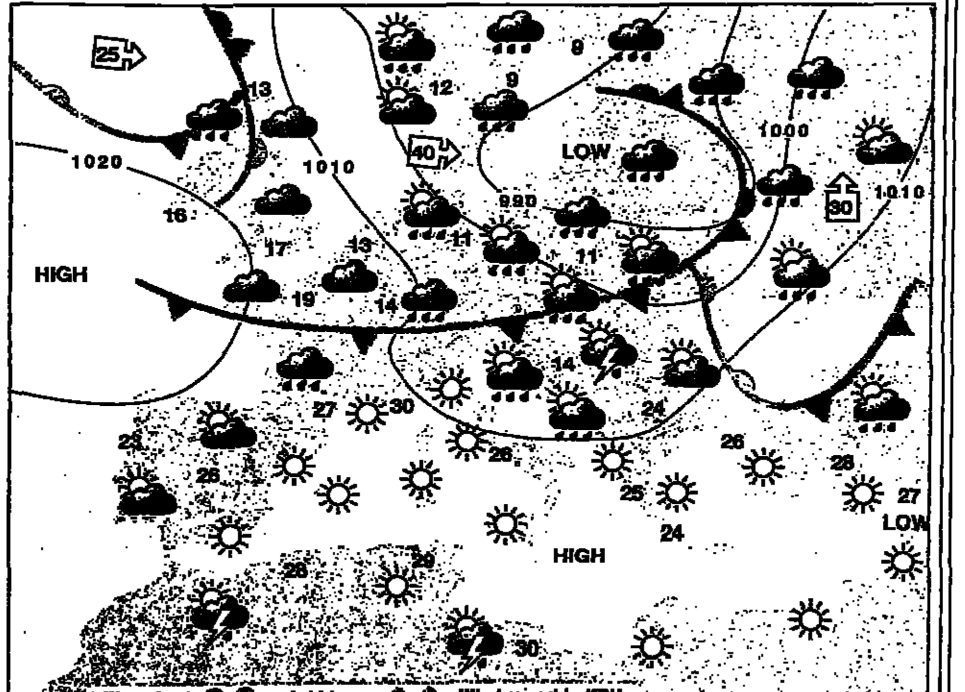
FT WEATHER GUIDE

Europe today

Low pressure over the Baltic Sea will make Finland, the Baltic states and Russia overcast with outbreaks of rain. Sweden and Norway will have light rain with brighter spells. A front pushing south across central Europe will trigger showers, some thundery. Behind this, northern France will be mainly dry and bright, although a little cool. The Low Countries and Germany will be cool and showery. Southern France, Spain and Portugal will have warm sunshine and the remainder of the Mediterranean will be hot and sunny.

Five-day forecast

Eastern Italy and the Balkans will have heavy showers tomorrow. Some will reach northern Greece on Saturday. These areas will see warm sun by Sunday. High pressure will keep southern France and the Iberian Peninsula mainly sunny. Northern Europe will continue unsettled with frequent outbreaks of rain.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum	Beijing	Sun 23	Cardiff	Fair 16	Frankfurt	Rain 16	Madrid	Sun 26	Rangoon	Rain 31
	Celsius	Belfast	cloudy 17	Casablanca	Fair 25	Geneva	Fair 22	Majorca	Sun 27	Reykjavik	Drzzl 10
Abu Dhabi	Sun	Belgrade	cloudy 21	Chicago	Sun 22	Gibraltar	cloudy 23	Malta	cloudy 27	Rio	Fair 31
Accra	Fair 29	Berlin	Shower 12	Cologne	Rain 14	Glasgow	Drzzl 16	Manchester	cloudy 16	Rome	Fair 26
Algiers	Sun 28	Bermuda	cloudy 29	Dakar	Sun 32	Hamburg	Rain 11	Manila	Thunder 32	S. Frsco	Fair 21
Amsterdam	cloudy 15	Bogota	Thunder 19	Dallas	Fair 29	Helsinki	Rain 9	Melbourne	Rain 18	Seoul	Fair 24
Athens	Sun 24	Bombay	Shower 31	Delhi	Fair 27	Hong Kong	Rain 29	Mexico City	Thunder 25	Singapore	Shower 32
Atlanta	Sun 24	Brussels	cloudy 15	Dubai	Sun 36	Honolulu	Shower 32	Miami	Shower 30	Stockholm	Rain 9
B. Aires	Shower 19	Budapest	Shower 16	Dublin	cloudy 16	Istanbul	Fair 19	Milan	Sun 25	Strasbourg	Drzzl 19
B.ham	cloudy 16	C.hagen	Shower 12	Dubrovnik	cloudy 22	Jakarta	Fair 32	Montreal	Fair 12	Sydney	Thunder 25
Bangkok	Shower 33	Cairo	Sun 30	Edinburgh	cloudy 15	Jersey	cloudy 18	Moscow	Drzzl 7	Tangier	cloudy 25
Barcelona	Sun 25	Caracas	cloudy 33	Faro	Sun 24	Johannesburg	Shower 28	Munich	Rain 19	Tel Aviv	Fair 27
						Karachi	Sun 35	Nairobi	Fair 28	Tokyo	Shower 21
						Kuwait	Sun 37	Naples	cloudy 24	Toronto	Shower 17
						L. Angeles	Fair 24	Nassau	Shower 31	Vancouver	Rain 14
						Las Palmas	Fair 27	New York	Fair 18	Venice	Sun 24
						Lima	Rain 22	Nice	Fair 24	Vienna	Rain 17
						Lisbon	Fair 27	Nicosia	Sun 28	Warsaw	Rain 10
						London	Fair 17	Oslo	Fair 12	Washington	Fair 19
						Lux.bourg	Shower 15	Paris	cloudy 19	Wellington	Fair 13
						Lyon	Fair 23	Perth	cloudy 22	Winnipeg	Shower 26
						Madeira	Fair 24	Prague	Rain 13	Zurich	Rain 18

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FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

ABN Amro sets up shop in Asia

ABN Amro, the Dutch banking group, has launched credit cards in Taiwan as a prelude to building a consumer banking business across Asia. Early next year the bank will begin opening consumer branches in six other Asian countries, including Indonesia, Thailand, Malaysia and India. Page 21

Streamlined SAS focuses on growth

Jan Stenberg (left), the 58-year-old lawyer at the controls of Scandinavian Airlines System, is hoping to steer the carrier into calm airspace after three years of turbulence. Since joining SAS in 1994 he has cut costs by more than SKr3bn ($395.8m). The airline survived the surgery required to pull it through the recession of the early 1990s, and has now moved from a period of retrenchment to "focused growth". Page 23

Bank of Nova Scotia to buy Mocatta

The Bank of Nova Scotia is to acquire the Mocatta Group to form the biggest force in the global gold and silver bullion and base metals markets. The combined group, Scotia-Mocatta, will have clients in 65 countries and its "book" – the notional value of forward contracts and options – will be worth about $70bn. Page 28

Israel hopes for sustained rally

Israel's traders are hoping that US attempts to restart Israeli-Palestinian peace talks will lead to a sustained rally on the Tel Aviv Stock Exchange when it reopens on Sunday. Page 38

Companies in this issue

Market Statistics http://www.FT.com

CROSSWORD, Page 28

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Beiersdorf	86	+	5.50
MAN	568.50	+	10.80
Victoria Hldgs	1670	+	60
Falls			
Badenwerk	530	−	20
DLW	186	−	10
Porsche	3030	−	45
NEW YORK ($)			
Rises			
Ivex Pckg	20	+	4
Sunsource	25⅜	+	13⅜
Synovus	24¼	+	2⅝
Falls			
Adv Micro Dv	28½	−	4¼
Dal Tile	13⅞	−	1⅛
Imation	24½	−	2¼
LONDON (Pence)			
Rises			
BT	442	+	32½
Fired Earth	290	+	22½
Pascoes	58½	+	10
Thorpe (FW)	159	+	24½
Falls			
Pathfinder	15	−	5
Riverview	220	−	20
TORONTO (C$)			
Rises			
Hallmark Tech	17.00	+	1.75
Semeat Cp	11.00	+	0.70
Talisman Engy	51.00	+	3.40
FRANKFURT Falls			
Amer Mineral	6.00	−	0.55
Labopharm	3.00	−	0.75
ODonnell Inv	15.45	−	1.05
PARIS (FFr)			
Rises			
Accor	1140	+	44
Carrefour	3778	+	81
Danone	960	+	25
Peugeot	795	+	13
Falls			
Credit Ntl	422	−	15.80
Taittinger	3099	−	51
TOKYO (Yen)			
Rises			
Aoyama Trdg	3630	+	230
Honda	4350	+	140
Secom	8490	+	340
Falls			
Kurita Water	2290	−	120
Mycal	1240	−	100
Ono Pharm	3500	−	70
BANGKOK (Baht)			
Rises			
Draco PCB	23.25	+	2.00
Prakit & FCB	40.00	+	3.00
Safari Wld	23.50	+	2.00
Falls			
Castle Peak	113.00	−	12.00
Mutual Fund	118.00	−	13.00
Siam-Thai Eng	54.00	−	6.00

New York & Toronto prices at 12.30. Hong Kong closed.

Korea Telecom postpones issue

Fall in Seoul stock market is blamed

By John Burton in Seoul and Vincent Boland in London

A $1.2bn global share offering by Korea Telecom, South Korea's state-controlled telecommunications company, has been delayed because of a sharp decline in the Seoul stock market and worries about the country's corporate credit ratings.

Finance ministry officials said yesterday the KT issue might be delayed for only a week or two, but analysts said this was too optimistic. Investor roadshows to present the KT offering abroad, due to start this week, did not go ahead, making it difficult to realise the government's plan to list the issue in New York and London later this month.

The government is also considering delaying a listing on the Seoul stock market, which was to coincide with the international offering.

Officials indicated yesterday that the size of the issue, in the form of ADRs (American depository receipts), might be cut to $600m. The government's target price of Won60,000 a share, substantially higher than the Won35,000 price on the domestic over-the-counter market, may also have to be reduced.

Analysts consider the target price unattainable. "The government was expecting a huge premium that just isn't there. There's a buyers' strike on Korean shares," an analyst in Seoul said.

The problems with KT come after two other Korean telephone companies were forced last month to postpone new issues because investors regarded them as too expensive. They were a $200m convertible bond issue by Dacom, a long distance call provider, and a $100m issue of American depository receipts by SK Telecom, a mobile telephone company.

"The government's timetable for KT is too tight and was launched without adequate preparation," said an executive of a foreign securities firm involved in placing the KT issue abroad.

Scepticism among foreign investors about Korean paper reflects a recent fall in the Seoul stock market caused by the threatened bankruptcy of the Kia motor group, the nation's eighth largest conglomerate. Investors are worried about further declines because of financial problems at other industrial groups after several big corporate collapses this year.

Prospects for the KT issue have also been hurt by competing share offers from two other big Asian telecom companies - a HK$26bn offering from China Telecom (Hong Kong) and Australia's A$14bn Telstra issue - launched earlier this week.

Some analysts predict that the KT share issue may have to be postponed to next year while the government grapples with domestic corporate collapses, which have left banks reeling. But the government is under pressure to sell a stake this year to fill a revenue shortfall of Won3,500bn for 1997.

Domestic institutional investors, who have bought 29 per cent of KT in private placements, are believed to be pushing for an overseas issue and a domestic listing soon so that they can sell their shares to foreigners and recoup some of their investment.

Brussels opposes Finnish energy link-up

By Greg McIvor in Stockholm

Hopes for a merger between Neste, the partly privatised Finnish oil and petrochemicals group, and Imatran Voima (IVO), the state-owned domestic power utility, have hit opposition from the European Commission, which has voiced concerns about domination of Finland's energy industry.

The government, which holds 83 per cent of Neste and 95.6 per cent of IVO, had been expected yesterday to announce plans for extensive co-operation between the two groups, marking the completion of a strategic review initiated by Finland's trade and industry ministry in June.

However, the government said only that fresh discussions would start aimed at expanding collaboration between the two groups. The talks were expected to be concluded by the end of the year.

Neste officials said the strategic review, originally projected to be completed in late August, had encountered objections from Brussels over the competition implications of a link-up between it and IVO.

Neste is the sole distributor of natural gas in Finland through Gasum, its joint venture with Gazprom, the Russian gas giant. IVO is unrivalled as the country's biggest power generator.

Liz Christie, European electricity analyst at Merrill Lynch in London, said: "A merged company would have a very strong position in the provision of fuel to retail customers so it is logical that the Commission would look at it."

Last year Brussels blocked a $1bn merger in Finland's retail and wholesale sector – the first time it had intervened to impose European competition laws on the country.

Finnish trade and ministry officials stressed they believed closer ties between Neste and IVO had a "strong economic and strategic rationale". Improved co-operation would avoid operational duplication and create a competitive group with international clout.

Neste is anxious to expand in the Nordic-Baltic energy market. By contrast, IVO has been unenthusiastic about more co-operation, saying this should wait until the government has started its flotation.

Maid in £300m takeover of US group

By Andrew Edgecliffe-Johnson

Maid, the electronic information company, has agreed to pay almost £300m ($483m) to take over Knight-Ridder Information, creating the world's largest online information company.

The deal will more than double the size of the UK company, which is valued at £200m. Details of the purchase will be announced today.

Dan Wagner, Maid's chief executive, revealed seven weeks ago that he was in talks with Knight-Ridder, the Miami-based publisher, about buying its electronic information division.

Knight-Ridder put the subsidiary up for sale, in an auction handled by Goldman Sachs, in April.

Mr Wagner is expected to say today that the acquisition will be for less than the £300m-plus price originally forecast by analysts.

Maid will also confirm that the deal will be funded by a mixture of debt and new equity.

Most of the consideration will be funded by debt, but Maid has chosen to raise the new money through a placing rather than a rights issue.

This reflects the company's keenness to broaden its shareholder register and the fact that some directors could not have taken up their rights in full because of the size of their holdings.

Fears of a large rights issue depressed the shares when news of the talks first emerged. Yesterday they were unchanged at 215p, 22p below their level before Maid confirmed market speculation about its intentions.

Maid will also ask the London Stock Exchange for dealings in its shares to be suspended, as it begins a roadshow around institutional shareholders to raise the new money.

Michael Mander, Maid's chairman, said in August the acquisition would be made only if Maid could ensure that it would enhance its earnings per share in the first full year following the combination of the two groups.

Maid is also expected today to unveil detailed plans for integrating and rationalising the two companies.

Mr Mander said seven weeks ago he viewed the deal as a merger or partnership rather than a takeover.

Knight-Ridder executives are likely to take senior positions on the combined group's board.

Maid intends to apply its technology to Knight-Ridder Information's 6bn pages of scientific and technical data. The US group has 200,000 customers across 150 companies, and would sharply expand Maid's distribution capacity.

Maid's shares have been under pressure in recent weeks because of some analysts' concerns about the scale of the deal.

"It's a huge gamble," one said last night. "Maid has to do a deal like this, but it's bound to make people nervous."

Last year Knight-Ridder Information had sales of £285m, compared with Maid's turnover of just £21m. Maid is still reporting operating losses, although these almost halved to £1.71m in the six months to June 30.

Fashion group to restructure after founder's murder

Change of mind for the Versace label
Picture: Niall McInerney

Versace delays IPO until 1999

By Alice Rawsthorn

Gianni Versace, the Italian fashion group, has postponed plans to go public until 1999, while it restructures its business following the murder this summer of its founding designer.

The group, which became one of the world's best-known fashion brands during the designer's lifetime, had planned to stage an initial public offering on the New York and Milan stock markets next June.

However, Santo Versace, chairman and elder brother of the late designer, has announced that the issue, previously expected to value the company at up to $1.5bn, will be rescheduled for the first half of 1999.

The delay, while not unexpected after the designer's sudden death, comes at a sensitive time for the global luxury goods market, which is experiencing a slowdown in growth after a buoyant period during the mid-1990s.

Shares in Gucci fell sharply last week after it warned that profits growth would decline this year because of the weak yen's impact on demand from Japanese consumers.

The Versace group said yesterday it had decided to postpone its public sale to allow time to resolve problems of succession following its founder's death. In his will, Mr Versace left his fortune, including a 45 per cent stake in the business, to Allegra Beck, his 11-year-old niece.

The stakes of the remaining shareholders – Santo's 35 per cent, and the 20 per cent held by Donatella Versace, his sister and Allegra's mother – remain intact.

Ms Beck's shares will be placed in trust until her 18th birthday. The Versaces are now waiting for a tutor to be appointed by a Milan court to represent her interests.

The delay in the public sale will also allow time for prospective investors to assess the impact of the designer's death on the group. Analysts had previously voiced concern that investors might be wary of the company until it had proved it could sustain its commercial success without the founder.

The first indication of its progress will be the Gianni Versace women's ready-to-wear collection for next spring, scheduled to be shown in Milan next Thursday.

This will be the company's first fashion presentation since the murder and the first collection to be unveiled by Ms Versace in her new role as chief designer.

Ms Versace has designed the sporty Versus collection for several years, and worked closely with her late brother. She must now prove she can assume a wider-ranging role.

Reuters invests $80m to take on internet rivals

By Christopher Price in Zurich

Reuters, the financial information and media company, is to step up investment on internet technology in response to growing competition from other companies which provide financial information online.

The company yesterday unveiled plans to spend $80.5m on a Geneva-based "Global Technical Centre", which will spearhead the development of internet-related products.

The group also announced a number of internet products. It confirmed the launch of its first internet site for European retail investors and detailed new products that use web technology.

Jean-Claude Marchand

These products link up financial institutions' own intranets with Reuters' own web technology and are designed to bring Reuters financial information and other services to the back offices of bank and broker customers.

Dismissing suggestions that the internet is a threat, Jean-Claude Marchand, director for European operations, predicted that all the Reuters' services would be delivered either on the internet or via internet-related products within five years.

"It is a great opportunity for us to use the technology being created for the internet to enhance our own ability to deliver," he said.

Mr Marchand also said that the group needed to market its brand more actively to users of the internet, where its content is being increasingly seen and used. Initially some £10m is to be earmarked for this marketing drive.

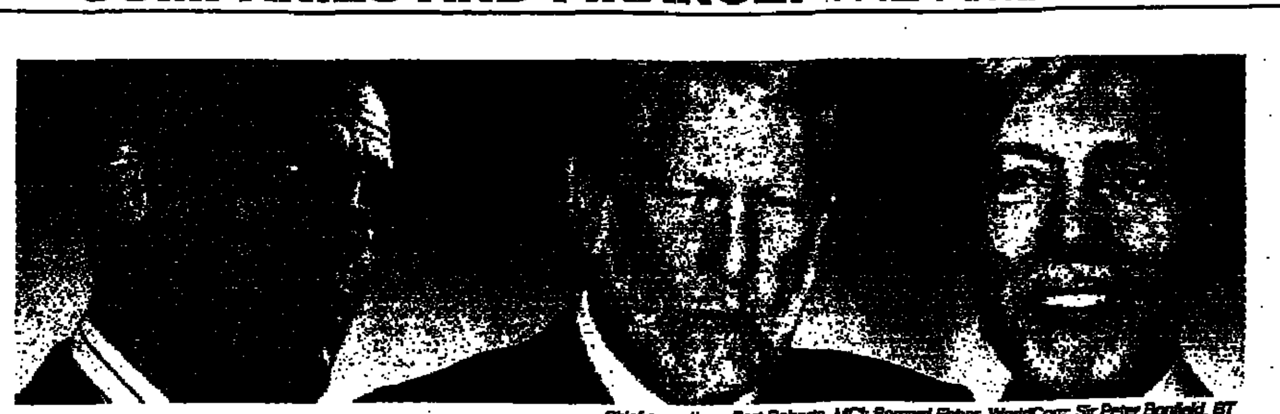
Analysts said yesterday that the moves were "a step in the right direction", but would do little to change the market's long-term concerns about the group's prospects. Competition in Reuters' traditional markets, such as foreign exchange dealing systems and financial information, has been increasing.

The growth of the internet has underlined these fears. Other internet-related innovations under development by Reuters in the longer term include pay-per-view technology and a smart card, which will allow Reuters subscribers to access the group's services via the world wide web from anywhere in the world.

William Donner, director of research and architecture, said the smart card could lead to a "big boom" in revenues.

FT reporters examine the dramatic impact of yesterday's record-breaking $30bn bid for MCI by Bernard Ebbers' fast-growing WorldCom

High achiever reaches for MCI



Chief executives: Bert Roberts, MCI; Bernard Ebber, WorldCom; Sir Peter Bonfield, BT

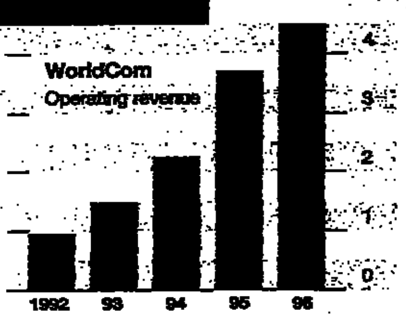
Top 10 completed or pending M&A deals

Date	Target	Country	Target activity	Bidder	Country	Bidder activity	Bid value ($bn)
Oct 1 '97	MCI Communications	US	Telecommunications	WorldCom	[illegible]	Telecommunications	[illegible]
Mar 7 '96	Ciba	Switz.	Pharmaceuticals/chemicals	Sandoz	Switz.	Pharmaceuticals/chemicals	27.56
Oct 25 '88	RJR Nabisco	US	Tobacco	Kohlberg Kravis Roberts	US	Leveraged buy-outs	25.07
Apr 1 '96	Pacific Telesis	US	Telecommunications	SBC Communications	US	Telecommunications	23.50
Apr 23 '96	Nynex	US	Telecommunications	Bell Atlantic	US	Telecommunications	22.00
Aug 30 '89	Taiyo Kobe Bank	Japan	Banking	Mitsui Bank	Japan	Banking	19.93
Aug 1 '95	Capital Cities/ABC	US	Broadcasting/publishing	Walt Disney	US	Entertainment	19.10
Nov 3 '96	MCI Communications	US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May 12 '97	Guinness	UK	Brewing/distilling/publishing	Grand Metropolitan	UK	Food/drink	15.80
Aug 29 '97	Barnett Banks	US	Banking	NationsBank	US	Banking	15.50

Deals are target valuations at time of bid. Table does not include demergers, privatisations flotations and buy-backs. * Subsequently renegotiated

Top telecommunication companies

Rank	Company	Country	1996 revenues ($bn)
1	NTT	Japan	78.32
2	AT&T	US	74.53
3	IRI	Italy	49.06
4	Deutsche Telecom	Germany	41.91
5	France Télécom	France	29.56
6	BT	UK	23.70
7	GTE	US	21.34
8	BellSouth	US	19.04
9	Ericsson	Sweden	18.77
10	MCI Communications	US	18.49
	WorldCom	US	4.48



Sources: Acquisitions Monthly; Fortune; company

For Bernard Ebbers, the flamboyant chief executive of WorldCom, there was only one answer yesterday to the question of why shareholders in MCI Communications should turn their backs on the agreed merger with BT and accept his own embrace.

"Investors in stocks know who the winners and the losers are," he said. Then, remembering MCI's glorious past and correcting himself slightly: "Or who the over-achievers and the achievers are."

Mr Ebbers clearly deserves the over-achiever label. It is just one sign of the remarkable rise of his Mississippi-based company that even high-fliers like MCI – which led the assault on AT&T's dominance of US telecommunications in the 1980s – can begin to seem like, well, losers.

The yardstick of his over-achievement has been a stock price appreciation that is virtually without rival in the US stock market.

While slipping slightly this year, the company's average annual price appreciation over the previous decade topped 57 per cent, making it a stand-out even when compared with second-placed Amgen, the biotech world's most successful company.

Such performance is more familiar in the early years of a company's life. It is more difficult to sustain later, and Mr Ebbers will definitely be pushing his ambitiously-named company into new territory if he pulls off the merger.

The MCI acquisition, if completed, would bear many of the hallmarks of his earlier deals – a consideration which helped to assuage some of Wall Street's concerns yesterday.

The Mississippi native, who has always adopted an iconoclastic approach to big business, made a name for himself by acquiring small, long-distance telephone companies, consolidating their businesses in to his own network and wiping out their overhead costs.

It proved a singularly successful strategy and was capped in 1995 with the $2.5bn purchase of Wiltel, a deal which catapulted his company LDDS – which was later renamed WorldCom – to fourth in the highly-competitive, long-distance market, to behind AT&T, MCI and Sprint.

In that regard, an MCI purchase would fit the pattern neatly.

MCI's own fortunes in long-distance have been slipping this year – a fact which was overshadowed two months ago by the far more drastic announcement of its likely losses in local calling.

At the same time, long-distance telephony may be in no immediate danger of being subsumed by the internet, but the rapid growth of packet-switched networks has begun to eat into the growth rate of traditional telephony.

Against that background, combining MCI's biggest business with that of WorldCom – creating a company with just under 30 per cent of US long-distance calling, compared with just under 50 per cent for AT&T – would simply be an extension of the old Ebbers magic.

Since renaming his company WorldCom three years ago, Mr Ebbers has also used acquisitions to take his company in new directions, laying the groundwork for when the artificial barriers in the US telecoms industry fall and technological development transforms the economics of the business. In both cases, again, an MCI deal would make a good match.

After Wiltel, Mr Ebbers' next big deal was the $12bn purchase of MFS Communications a year ago.

MFS, a company that builds and operates local telephone networks mainly for business customers in many US and European cities, had just agreed to buy UUNet, the biggest internet services company in the US.

MFS's local networks positioned WorldNet for the time when the old distinction between local and long-distance calling in the US, established with the break-up of AT&T in 1984, was finally consigned to history.

In addition to the 52 cities where MFS has established networks, WorldCom will now inherit the MCI Metro networks, which are at a far earlier stage of development.

It also reached an agreement yesterday to pay $2.4bn for Brooks Fiber, which operates local networks in many second-tier cities and has been singled out by Wall Street in recent weeks as a likely acquisition target.

By folding the nascent Metro networks into this collection, WorldCom predicted it could save $500m in the first year, rising to $1.4bn in 2002.

MCI will round out one other area in which Mr Ebbers has proved acquisitive: the internet.

Having inherited UUNet almost by chance, the WorldCom boss has now taken to applying his normal methods to this fast-growing part of the telecoms world.

Last month, in a three-way deal involving America Online and CompuServe, Mr Ebbers agreed to buy the telecoms infrastructure of both online services. And, with MCI, he will inherit one of America's most important internet backbones.

Richard Waters

■ TERMS – By Daniel Bogler and William Lewis

Bid backed up by strong share price

WorldCom, by launching an all-share bid worth about $30bn for MCI, is taking full advantage of the strength of its own stock to put an attractive offer on the table.

Based on average brokers' forecasts provided by First Call, the research group, WorldCom's shares, currently priced at $35, are trading at more than 40 times prospective 1998 earnings.

In contrast, MCI was trading on 26 times next year's forecast earnings before the bid was announced yesterday morning.

The high valuation of its stock also allows WorldCom to promise that the deal will immediately enhance earnings per share.

Bernard Ebbers, chief executive, said yesterday: "This transaction is expected to be accretive to our earnings by as much as 22 per cent in the first year after closing."

Much of this is simply the accounting effect of buying MCI's earnings stream with higher-valued WorldCom paper. The remainder will come from planned cost savings, which WorldCom estimates at $2.5bn in 1999, rising to $5bn by 2002.

According to Scott Sullivan, chief financial officer, the enlarged group should be able to save $800m in 1999, the deal's first full year, from combining the two companies' domestic and international phone networks. This figure rises to $1.8bn by 2002.

A further $500m-$800m should come from reducing MCI's losses in local services, as WorldCom has already built much of the necessary infrastructure. That figure could grow to $1.4bn by early next century.

The third tranche of savings – from combining corporate overheads, lower advertising spending and greater efficiencies – should amount to $900m to $1bn initially, increasing to $1.2bn by 2002.

Mr Ebbers said that WorldCom was able to top the bid from British Telecommunication because the UK telecoms company was unable to match these projected cost savings. "They just don't live here," he said yesterday.

He added that the projected cost savings were unlikely to include substantial job cuts. "By and large, the employee base should be stable," he said.

The transaction hinges on the level of WorldCom's share price, so it has been structured to include a "cap and collar".

Investment bankers say this is a common device in transactions where the bidder issues a large amount of stock and is concerned about the strength of its own share price. It is designed to give investors in the target company a fixed price, while making it more difficult for arbitrageurs to put the bidder's stock under pressure by selling it short.

WorldCom, which will increase its share capital by about 80 per cent if the deal goes through, is offering MCI holders not less than 1.0375 shares (if WorldCom's average price in the 20 days before the deal closes is above $40) or not more than 1.2206 shares (if WorldCom's price is below $34).

In between $34 and $40, the share-to-share ratio will vary to provide MCI holders with a fixed value of $41.50. This scheme provides MCI investors with a fair degree of certainty. They face additional risk only if WorldCom shares fall below $34, while they would benefit if they rose above $40.

■ TRADERS – By Tracy Corrigan and William Lewis

Manna from heaven for the arbitrageurs

WorldCom's $30bn bid for MCI was yesterday welcomed as manna from heaven by Wall Street arbitrageurs and Salomon Brothers, the investment banking advisers to WorldCom.

Several arbitrageurs said WorldCom's bid would lessen the heavy losses they suffered when British Telecommunications in August renegotiated a lower bid price for MCI.

Arbitrageurs attempt to make profits by trading on the differentials between stock prices and other traded instruments. Earlier in the year, arbs bought shares in MCI which were trading below the price BT was willing to pay, in the expectation that the BT-MCI merger would go ahead on the terms originally agreed. When the deal was then renegotiated, the arbs suffered losses.

Peter Schoenfeld, who runs PSAM, an arbitrage firm, said: "We are obviously delighted that WorldCom has come in. We were dismayed when BT renegotiated its deal with MCI and cut its price so dramatically."

Another New York-based arb said: "BT underestimated how much it was underpaying for MCI. I can't see how they can go back to shareholders now and say they want to pay more."

He added: "BT had a chance to buy the number two company in the US, and any telecoms company with global ambitions has to be in the US. Without MCI, BT is an under-achieving utility with zero growth prospects which is losing market share."

Several arbs said they had been short on BT stock and long on MCI ahead of yesterday morning's announcement, and therefore stood to make unexpected gains.

Some said they were now buying BT stock to cover their short position, but would remain long in MCI, because the WorldCom bid could be increased or topped. One arb said his fund would remain short in BT, because he believed the shares would fall because of BT's poorer long-term prospects without MCI.

Salomon Brothers, which is thought to have suffered losses of about $100m on arbitrage trading around the BT-MCI merger, refused to disclose yesterday whether it had closed out the position ahead of yesterday's announcement by WorldCom.

It also declined to give details of the fee it expected to earn from advising WorldCom on the deal. However, sources close to the transaction said that the investment bank, which is being taken over by Travelers Group, could make as much as $45m if the deal is closed.

■ LONDON REACTION – By Clay Harris and Virginia Marsh

BT seen as short of options

Bad news for British Telecommunications' international ambitions, good news for BT shares. True believers in BT's ill-starred pursuit of MCI Communications and sceptics were united yesterday: its global strategy appears to have been left in tatters.

BT shares jumped 32½p to 442p on the hope of another special dividend or a share buy-back, assuming that BT would cash in its MCI stake for at least £4bn. The surge was helped by arbitrageurs covering short positions.

But amid the immediate euphoria and with BT maintaining a rigorous silence – as it has at other embarrassing moments during the MCI affair – institutional investors and analysts were left guessing about BT's next move.

Questions were also raised about the position of Sir Iain Vallance, chairman, and Sir Peter Bonfield, chief executive, who have staked their reputations on the MCI deal.

Mike Williams, telecoms analyst at NatWest Markets, which had backed the deal, said: "It looks like the whole global strategy BT has been nurturing for the past five or 10 years has fallen down around its ankles."

James Dodd, of Dresdner Kleinwort Benson, who has been perhaps the most outspoken critic of BT buying MCI at any price, was jubilant. He said: "It is a perfect day of deliverance for BT shareholders."

One of the few things on which institutional investors agreed was that BT could not renegotiate, a second time, with MCI. "There is absolutely no way that, as shareholders, we would countenance BT trying to better or match WorldCom's offer," one fund manager said.

This view was shared by those that had supported strongly the MCI deal. One said: "We're sorry this has happened, but even if this deal was strategically important this outcome is preferable to BT paying too much."

Many believed BT should try to negotiate some form of three-way arrangement with WorldCom and MCI. In spite of an olive branch yesterday from WorldCom, many noted its preference for ownership over partnership.

"BT's 20 per cent stake in MCI gives it an entree. It has some say, and we would encourage it to try to use this to its advantage," a fund manager said.

Otherwise, BT's largest UK shareholders differed sharply over its options. One said: "BT's share rise says it all. People hate global strategies and BT has been particularly bad at handling them. A lot of people are clearly relieved today."

One fund manager said that if BT could not engineer a three-way tie-up with the two US companies, it should abandon its global ambitions and hand back surplus capital to shareholders.

He said: "BT may now have to shrink back to being a mainly UK-focused or possibly European player. I can't see other candidates out there which would meet the potential attractiveness of MCI. Already MCI was seen as second best to Cable and Wireless. If BT now went for the third or fourth best option, would that really be in the best interests of shareholders? They should consider a capital restructuring – the sums they could hand back to shareholders could be considerable."

Mr Dodd at Kleinwort estimated a buy-back of 1bn shares, for example, would enhance 1998-99 earnings per share by 5p to 37p.

Another investor said he could not imagine BT suggesting another acquisition in the near future. "Having failed twice with C&W and MCI, it just wouldn't be credible to come up with another option quickly. There would be a lot of scepticism."

Others, however, maintained BT should stick to its global expansion plans.

One investor said: "For several years BT has been saying its future lies as a global player in a global telecoms market. We agree with that strategy – the worse thing that could happen is for BT to return to being only a regulated UK utility.

"If they returned capital, they would only have to ask for it back once they identified another way to expand. That way the money would pass through three pairs of hands – theirs, ours and the taxman's. It's a daft idea."

He added: "What has happened is an example of how tough global telecoms is becoming. BT is up against some big guns with a lot of capital. But there should be other ways to expand overseas, and the C&W idea might resurface."

Other ideas mooted were possible tie-ups with a Baby Bell, the cable operator TCI or with a satellite telecoms venture like Teledesic or Celestri. But most agreed with Steve Scruton, senior telecoms analyst at HSBC James Capel, who said: "It's wide open at the moment."

Big screen attractions fuel cinema mergers

Lack of space to show off the film industry's increased output is the main obstacle to growth

Even before this week's merger of the Sony and Cineplex Odeon cinema chains was formalised, consumer advocates were heard complaining that the inevitable consequences would include a sharp rise in admission prices.

In New York, where the new company is at its strongest, today's $9 tickets would rocket to $15, they said.

But cinema-goers may not need to worry just yet. Higher box office revenues would certainly be welcome in an industry which has had a rocky summer season. But theatre owners are for the present more concerned with consolidation, expansion, and increasing attendance. Dramatic price rises can wait.

These preoccupations figured large among the considerations behind the Sony-Cineplex deal, and this summer's merger between the Regal and Cobb chains, which created another 2,000-plus screen group.

Since it now costs up to $30m to build a new multiplex cinema, entrance costs to the industry have reached prohibitive levels for all but those with the deepest pockets.

Staying in the business is fast becoming an insuperable challenge for the traditional family operations which still account for most of the 300 cinema companies in the US.

Even some of the larger companies have found it hard to maintain the pace. Despite its connections to the Seagram-owned MCA group, Cineplex's growth plans have been reined in by its heavy debt burden.

Although the new venture's executives spoke this week of international growth, medium-term concerns centre on the US market where, analysts suggest, the main obstacle to growth is the lack of screen space to show off the film industry's output, which has grown by more than 20 per cent in the past seven years.

Monster hit: Tommy Lee Jones (left) in this summer's blockbuster Men in Black

Although only about 35 per cent of a film's gross revenues come from cinema showings, the big screen is still the primary shop window where the seeds of interest are sown in the succession of videos, pay-per-view television showings and ancillary products.

In today's market, where new films may have as little as two or three weeks to establish themselves before being bumped off-screen, studio companies have a vested interest in growing the cinema business.

The industry is betting heavily on the multiplex, with up to 30 screens, as the way to provide more shelf space and at the same time counter the emergence of video-on-demand services supplied by cable and satellite TV providers.

Some theatres this summer devoted as many as eight screens to a single film, such as *The Lost World* or *Men in Black*. This ensures that cinema-goers are usually able to get a seat.

The benefits, according to securities house Donaldson, Lufkin & Jenrette, include about $1.20 in operating income for every customer in a theatre with 10 or more screens, compared with 60 cents in cinemas with five or less auditoriums.

Scale also offers cinema owners substantial operating efficiencies through centralised electronic ticket sales and purchasing power.

At present film producers claim about 50 per cent of box office takings and may take as much as 90 per cent for the opening week of a big release.

Providing more cinemas and screens, theatre owners believe, will eventually tilt the balance in their favour and help them avoid excessive ticket increases and the risk of convincing customers that they can get a better deal at home watching a video.

Christopher Parkes

Mannix family in C$2.1bn sale

By Scott Morrison in Vancouver

Canada's secretive Mannix family has completed a C$2.1bn (US$1.52bn) disposal of energy assets with the sale of its oil and gas facilities to Talisman Energy for C$501m.

In June, the family announced it was selling its energy assets, which analysts estimated at the time would be valued at C$1.5bn. The sale price was higher because the value of the pipeline division had been underestimated.

Talisman Energy will also assume C$105m in long-term debt from Pembina Resources, which owns the oil and gas assets of Pembina Corporation, a unit of Loram, the family's privately-held holding company.

Ron Mannix, Loram chief executive, had said the energy spin-off was prompted by a strong market for sound investment opportunities.

The family last week initiated the sale of its pipeline holdings to the public through an income fund valued at about C$650m, and recently announced the sale of Manalta Coal, Canada's biggest coal producer, through instalment receipts in an income trust fund estimated at C$870m.

Publicly traded income trust funds, increasingly popular in Canada, have provided a high return to investors from the underlying assets' cash flow.

Pembina Resources' current production is approximately 10,000 barrels a day of liquids.

Pembina holds rights to more than 1m net acres of undeveloped land and has over 100m barrels of oil equivalent of proved and probable reserves.

Loram's assets include holdings in property, railway maintenance and equipment manufacturing and other industries in North America, Europe and Australia.

Taiwan group to invest T$45bn in LCDs

By Laura Tyson in Taipei

Teco Electric and Machinery, a leading Taiwanese electrical appliance maker, plans to spend T$10bn (US$350m) on setting up an affiliate company to make liquid-crystal displays.

It will subsequently invest an additional T$35bn over several years in production of the computer components.

Teco said it would issue 100m new common shares at T$40 each to finance the company's two plants, to be built in southern Taiwan's Tainan science park.

The liquid-crystal devices will be used mainly for flat-panel "TFT displays" in notebook computers, a rapidly growing segment of the computer components industry. Taiwan is one of the world's leading producers of notebook computers.

The investment plan is the latest in a series of announcements by Taiwanese companies of large-scale investments in the country's fast-growing electronics industry.

Construction of the plant is to begin in the first quarter of next year, and production is expected to start in the third quarter.

The target for initial production of miniature LCDs is 200,000 a month, mainly in the popular 12.1-inch and 13.3-inch sizes. The production of other sizes will depend on demand.

The parent company forecasts sales of T$30bn a year by 2001 for the new affiliate, and said the company would break even by the third year.

Several Taiwanese companies have moved into the display market, which has long been dominated by Japanese and Korean makers, including Toshiba and Hitachi.

Local competitors will include Prime View International, 88 per cent-owned by Yuen Foong Yu, Acer Peripherals, Lite-On Technology and Philips Taiwan, a unit of Netherlands-based Philips Electronics.

Taiwan's state-backed Institute for Information Industry estimates that the global notebook market will grow to 25m units by 2000, of which 90 per cent would use advanced TFT display technology.

ABN Amro sends in advance guard

Dutch bank is issuing credit cards in Taiwan before attacking Asian consumer banking market

ABN Amro, the Dutch banking group, yesterday launched credit cards in Taiwan as a prelude to building a consumer banking business across Asia.

"Taiwan is a modern trading economy which has seen impressive sustained growth," said Paul Scholten, senior vice-president and country manager for Taiwan. These were ingredients for strong growth potential in consumer banking, he added.

The bank plans to start full-service consumer banking in Taiwan in November. Early next year it will begin opening consumer branches in six other Asian countries, including Indonesia, Thailand, Malaysia and India.

Cardholders will be able to apply for a credit card by telephone or via the internet. The bank will be offering a range of products, including mutual funds and insurance services as well as traditional deposit accounts and loans.

Consumer banking has been highly profitable for ABN Amro, and has grown rapidly in Europe and the US as well as emerging markets in South America, said Jean-Paul Votron, head of ABN Amro's international consumer banking business.

Credit cards have become increasingly acceptable in Taiwan as the financial climate has changed.

Taiwan's new-found prosperity and the younger generation's more relaxed attitude towards debt has led to a big increase in the popularity of the credit card. Cash payments, however, still comprise 94 per cent of total consumer spending.

Foreign banks hold an estimated 30 per cent market share of cards in use, and their share is growing faster than that of local banks.

The state-run banks have been slow to respond. This is mainly because their accounting systems do not differentiate between consumer and corporate debts, and they are unwilling to take on the higher risks associated with mass-market consumers.

The number of card holders is expected to treble to 10m in the next few years, and sales through cards will at least double to 12 per cent of total consumer spending. Card spending is expected to reach T$280bn (US$9.8bn) this year.

Cheques are not used for consumer purchases in Taiwan, unlike in the US, where they account for about 44 per cent of consumer payments.

Taiwan: top six credit card issuers

Ranked by number of cards and by average spend per card

Issuing bank	No of cards in force*	% of total	Bank	Average individual spend per card** T$
China Trust	1,319,525	22.6	Bank of America	7,521
Citibank	1,020,683	17.5	United World Chinese	6,367
Standard Chartered	270,038	4.6	Shanghai	5,297
Chinfon	220,097	3.8	Citibank	5,265
Taishin	219,562	3.8	Pan Asia	4,926
ICBC	187,363	3.2	Dah An	4,782
Total - all issuers	5,839,667	100		

Source: Taiwan National Credit Card Centre

* as at end of April 1997

** during month of April 1997, excluding cash advances

The number of issuers in Taiwan has risen sharply, from 24 at the start of 1995 to about 55. "There's still room for issuance but it's not so easy any more," says Jeffrey Koo, chairman of China Trust, which pioneered credit cards in Taiwan.

With the proliferation of cards there has been an inevitable slide in annual fees and merchant fees, combined with intensified competition. "Some issuers will begin to have credit problems and some will be squeezed out," predicts Craig Walling, Citibank's Taiwan head of consumer banking.

Greater competition has resulted in aggressive promotions. Taishin International Bank offered a 0.1 carat diamond – minus ring – through contracted jewellers for each accepted card applicant. Chinatrust forged a co-branding deal with Hang Ten, a youth fashion chain, under which cardholders can collect points and redeem them for clothes.

Citibank ran into trouble when it offered cut-price flights to Macau and was deluged with far more applicants than could be accommodated, attracting scrutiny from the government's fair trade commission.

Mr Walling calls it "a strong promotion that was too long and too complex". Although the Macau promotion generated a lot of new accounts, Citibank plans to focus on marketing rather than promotion in the future.

"The competition is cash – as long as you can find new ways to replace cash, you will grow," says Albert Hsiung, Taiwan country manager for Visa International.

The card market has its risks. Taiwan has no bureau for consumer credit where applicant's credit background can be checked. "You're flying blind to an extent," said Mr Walling.

Another type of plastic – smart cards – will be introduced in Taiwan early next year, and debit cards are also making inroads with government backing.

Taiwan will move quickly. "It will be much easier for us to make the transition because we are not burdened by the cheque system," said C.C. Chen, head of retail banking at International Commercial Bank of China (ICBC). "Taiwan will leapfrog straight from cash to paperless."

Laura Tyson

Australia launches new airports offer

By Elizabeth Robinson in Sydney

Australia yesterday launched the second phase of its airports privatisation involving 15 sites. The offer follows the sale of Brisbane, Melbourne and Perth airports for A$3.3bn (US$2.4bn) earlier this year.

John Fahey, finance minister, called the offer the largest airports sale in the world and hoped to have the deals settled by June 30 next year. The airports are currently run by the Federal Airports Corporation.

The sale of the three main airports raised more than expected, but the organisers of the second phase of the sell-off have not put a target price on the less strategically important airports.

The offer includes long-term leases on the passenger airports of Adelaide, Darwin, Coolangatta, Hobart and Townsville, which have international services, and on Alice Springs, Canberra and Launceston. The leases will be for 50 years with an option for a further 49 years.

The government hopes to sell seven smaller airports on a freehold basis: Mt Isa, Tennant Creek, Archerfield, Parafield, Jandakot, Essendon and Moorabbin.

Canberra, Darwin and Townsville are used by passenger and military services and their purchaser must guarantee that these arrangements are continued.

Infratil, the Australian infrastructure company that was in the winning consortium for Perth airport, yesterday said it could handle up to three of the airports on offer.

The company made its debut on the Australian stock market yesterday after its A$32.5m public offer was oversubscribed. Its shares closed at A$1.32.

Potential bidders have one month to respond. The government will then select a shortlist and ask for formal bids.

John Howard, prime minister, is expected this week to name a new transport minister, following last week's resignation of John Sharp as a result of the travel claims scandal.

BZW, the managers of the sale, expect considerable interest from foreign investors. However, the main airports for sale are to have Australian majority shareholders, limiting foreign ownership to 49 per cent.

Although the government will consider combination bids – where groups bid for more than one facility – cross-ownership restrictions will apply to airports in the same region. For example, the owners of Brisbane may bid for Coolangatta, also in Queensland.

Australia's international air traffic has grown by an average 8.6 per cent over each of the past five years, while domestic traffic has increased by an annual 7.8 per cent.

GAIL starts Indian sell-offs

By Mark Nicholson in New Delhi

India's international offering of shares in GAIL, the state-owned gas company, is expected to be completed by early next month.

It is the first of four big Indian equity issues from state corporations which the government hopes could raise more than $2bn before the end of its fiscal year next March.

The GAIL offering is expected to raise about $750m through sales of Global Depositary Receipts – internationally-listed stock which trades in lieu of underlying shares. Bankers close to the deal said marketing would begin this month with pricing expected within the first week of November.

An equivalent sized GDR in MTNL, the state-owned telephone company which operates services in Bombay and Delhi, is due to follow GAIL's. Bankers expect roadshows to begin in November, for pricing by mid-December.

Two further offerings – in Indian Oil Company, the state-owned refiner, and Container Corporation, a state-owned haulage company – are also planned for this fiscal year, but are not expected to go to market until after the new year.

The four issues are essential to government hopes of raising at least $1.9bn slated for disinvestment receipts before the fiscal year closes, a sum vital to its hopes of meeting a fiscal deficit target of 4.5 per cent of gross domestic product.

Such pressures on the government to push through the four deals has led to concern among bankers over "bunching" of the Indian euroissues.

All four companies are highly rated and represent the sole Indian corporate GDR offerings on the horizon. Some bankers, however, point out that total prospective offerings of more than $2bn represent half the average annual inflow of portfolio investment into the Indian market. "Three deals worth $700m plus between now and March will be quite demanding," said one banker.

The Indian government has appointed three lead managers to both the GAIL and MTNL issues: Morgan Stanley, BZW and Robert Fleming/Jardine Fleming for GAIL, and Goldman Sachs, HSBC and DSP-Merrill Lynch for MTNL.

The mandate to lead-manage the offering in the GDR for IOC, also expected to be in the region of $700m, was awarded to Goldman Sachs and CS First Boston. The offer, however, had been delayed pending government decisions on oil prices, which have recently been raised. The issue is now expected to go to market early next year.

Competition for the mandate to manage the fourth offering, an expected $150m-$200m GDR issue by Container Corporation, the state-company, begins this month.

Metro Pacific lifts Smart stake

By Justin Marozzi in Manila

Metro Pacific, the Philippine flagship of Hong Kong-based First Pacific, has bought an additional 25 per cent stake in Smart Communications, the country's leading cellular phone group.

The deal lifts the holding company's stake in Smart to 67.25 per cent and involves the issue of new convertible redeemable preferred Metro Pacific shares worth 6.5bn pesos ($189m). The shares are convertible at 6.12 pesos a share. The group said the agreement values Smart at about 26.2bn pesos.

Smart, a joint venture between Metro Pacific and NTT, the Japanese telecoms carrier, is one of the companies in the Philippine cellular market which has not been hit by fraudulent subscribers and cloning.

It is planning to list on the Philippine Stock Exchange but has been delayed several times by market conditions.

Napoleon Nazareno, president and chief executive, said the move was in line with the group's strategic diversification programme and would strengthen its financial position.

● A Philippine property group yesterday asked the Securities and Exchange Commission for a moratorium on loan payments of 454m pesos.

Eduarosa Realty and Development blamed a delay at its 23,000 sq m condominium project in Manila for the difficulties in servicing creditors. Philippine National Bank is its biggest creditor with exposure of 330m pesos.

The news is another blow to the overheated property market which analysts expect to be hit badly by the regional currency crisis and soaring interest rates.

Investor sought by TPI Polene

By Ted Bardacke in Bangkok

TPI Polene, the troubled cement subsidiary of Thai Petrochemical Industry, is seeking a buyer to take a 35 per cent stake after its decision on Monday to suspend principal payments on about Bt47bn ($1.3bn) in debt, bankers say.

But analysts say potential buyers – including Cemex, the Mexican group which recently completed a deal in the Philippines – are looking for a much larger stake and only after the company reaches a restructuring agreement with its creditors. TPI Polene is south-east Asia's lowest-cost cement producer.

The company's largest creditor is KfW, Germany's state-owned development bank, which has lent $400m.

A restructuring, involving a debt-to-equity swap, is necessary because debt is greater than the replacement value of major assets and cash flow is not sufficient to cover interest payments, according to brokers Paribas Asia Equity.

TPI Polene confirmed the company was seeking to sell part of its assets but that neither an amount nor a price had yet been determined. That decision was in the hands of Merrill Lynch, the company's newly appointed financial adviser.

A sale of non-strategic assets at Thai Petrochemical is also being contemplated, but the company wants to keep its LDPE complex intact, bankers said. The plant is south-east Asia's only fully integrated refining and petrochemicals complex.

Thai Petrochemical also declared a moratorium on Monday of repayment of debts worth at least $2bn, although interest payments will continue to be made. Trade creditors will be given priority. Its adviser on financial restructuring is Chase Manhattan Bank.

Both companies have been hit hard by the baht devaluation, although with revenue in dollars Thai Petrochemical should survive, barring further liquidity problems and losses from TPI Polene.

TPI Polene has been selling at lossmaking prices in an attempt to capture domestic market share. It is Thailand's third largest cement producer behind Siam Cement and Siam City Cement.

Both companies have borrowed heavily overseas – Thai Petrochemical $962m and TPI Polene $946m – and have left that borrowing unhedged.

NOTICE TO BONDHOLDERS

To the holders of the presently outstanding
£40,000,000 11% per cent. Subordinated Bonds due 2000
(the "2000 Bonds")
and
£50,000,000 10% per cent. Subordinated Bonds due 2018
(the "2018 Bonds")
and
£150,000,000 9% per cent. Subordinated Bonds due 2021
(the "2021 Bonds")

formerly obligations of Northern Rock Building Society
(the "Society") but now of

NORTHERN ROCK plc
(the "Issuer")

constituted by Trust Deeds (the "Trust Deeds") of which the principal is dated 28th November, 1988, all made between the Society and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as Trustee for the holders of the 2000 Bonds, the 2018 Bonds and the 2021 Bonds (together the "Bondholders").

NOTICE IS HEREBY GIVEN TO THE BONDHOLDERS that pursuant to the Society's and the Issuer's obligations under the Trust Deeds and the Trustee's power under the Trust Deeds to concur in modifications without the consent of the Bondholders, the Issuer and the Trustee have entered into a Fourth Supplemental Trust Deed dated 1st October, 1997 to effect modifications to the provisions of the Trust Deeds and the above Bonds consequential upon implementation of the transfer of the business of the Society to the Issuer on 1st October, 1997 pursuant to Section 97 of the Building Societies Act 1986. No Bonds will be stamped or exchanged and the Bonds will continue to be listed on the London Stock Exchange.

Any Bondholder who wishes to inspect copies of the Trust Deeds or the said Fourth Supplemental Trust Deed containing such modifications may do so at the specified offices of the Trustee and the Paying Agents listed below.

TRUSTEE
The Law Debenture Trust Corporation p.l.c.
Princes House
95 Gresham Street
London EC2V 7LY

For the 2000 Bonds:
PRINCIPAL PAYING AGENT
The Chase Manhattan Bank
Trinity Tower
9 Thomas More Street
London E1 9YT

PAYING AGENTS

Chase Manhattan Bank Luxembourg S.A.
5 Rue Plaetis
L-2338 Luxembourg-Grund

Banque Bruxelles Lambert S.A.
24 Avenue Marnix
B-1050 Brussels

Chase Manhattan Bank (Switzerland)
63 Rue du Rhône
CH-1204 Geneva

For the 2018 Bonds:
PRINCIPAL PAYING AGENT
Bankers Trust Company
1 Appold Street
London EC2A 2HE

PAYING AGENTS

Bankers Trust Luxembourg S.A.
14 Boulevard F. D. Roosevelt
L-2450 Luxembourg

Credit Suisse
Paradeplatz 8
8001 Zurich

For the 2021 Bonds:
PRINCIPAL PAYING AGENT
Morgan Guaranty Trust Company of New York
60 Victoria Embankment
London EC4Y 0JP

PAYING AGENTS

Morgan Guaranty Trust Company of New York
Avenue des Arts 35
Brussels B-1040

Banque Paribas Luxembourg
10A Boulevard Royal
Luxembourg L-2093

NORTHERN ROCK PLC
By: Morgan Guaranty Trust Company of New York
as Fiscal Agent and
Principal Paying Agent

Dated: 2nd October, 1997

NOTICE TO NOTEHOLDERS

To the holders of the Notes issued pursuant to the U.S. \$2,500,000,000 Euro Medium Term Note Programme and presently outstanding (the "Noteholders")

formerly obligations of Northern Rock Building Society
(the "Society") but now of

NORTHERN ROCK plc
(the "Issuer")

constituted by a Trust Deed dated 15th March, 1994 as modified and restated by a First Supplemental Trust Deed dated 15th March, 1996 (the "Trust Deed") each made between the Society and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as Trustee for the Noteholders.

NOTICE IS HEREBY GIVEN TO THE NOTEHOLDERS that pursuant to the Society's and the Issuer's obligations under the Trust Deed and the Trustee's power under the Trust Deed to concur in modifications without the consent of the Noteholders, the Issuer and the Trustee have entered into a Second Supplemental Trust Deed dated 1st October, 1997 to effect modifications to the provisions of the Trust Deed and the Notes consequential upon implementation of the transfer of the business of the Society to the Issuer on 1st October, 1997 pursuant to Section 97 of the Building Societies Act 1986. No Notes will be stamped or exchanged and the Notes will continue to be listed on the London Stock Exchange.

Any Noteholder who wishes to inspect copies of the Trust Deed or the said Second Supplemental Trust Deed containing such modifications may do so at the specified offices of the Trustee and the Paying Agents listed below.

TRUSTEE
The Law Debenture Trust Corporation p.l.c.
Princes House
95 Gresham Street
London EC2V 7LY

AGENT
Morgan Guaranty Trust Company of New York
60 Victoria Embankment
London EC4Y 0JP

PAYING AGENTS

Morgan Guaranty Trust Company of New York
Avenue des Arts 35
Brussels B-1040

Banque Paribas Luxembourg
10A Boulevard Royal
Luxembourg L-2093

NORTHERN ROCK PLC
By: Morgan Guaranty Trust Company of New York
as Fiscal Agent and
Principal Paying Agent

Dated: 2nd October, 1997

JCI in restructuring of gold operations

By Mark Ashurst in Johannesburg

JCI, South Africa's first black-controlled mining group, yesterday abandoned the structure of a traditional mining finance house in favour of a revamp of its gold assets creating two independent gold mining companies.

Mzi Khumalo, chairman, said the plan marked "the effective transformation of JCI from a mining finance house into an operating, multi-commodity business".

A further statement on the restructuring of JCI's base metals interests and its purchase from Anglo American of a 27.6 per cent stake in Lonrho, the UK conglomerate, would be made later this year.

The announcement coincided with the release of strong results from JCI's gold mines for the three months to September 30, their first quarter under the management of Brett Kebble, who was appointed by Mr Khumalo to run the gold division.

Higher production at JCI's three gold mines, lower working costs and an improved gold price boosted profits from R3m in the previous quarter to R160.5m (\$34.4m).

Analysts welcomed the sharp drop in costs, but were sceptical about the speed with which reforms implemented by Mr Kebble appeared to have taken effect.

"I think Brett is shaking up an industry that desperately needs someone to take it by the horns. But these results are too good to be true," said one analyst. Another questioned whether the mines had focused on the richest gold deposits in order to boost performance in the short term.

Mr Kebble said that under the restructuring the southern area of JCI's flagship mine, Western Areas, would be merged with HJ Joel to create a "quality" gold company with reserves of more than 50m oz. Gold production would rise from 665,000 oz a year to 1.2m oz in 2003, while cash costs would fall to \$226 per oz by 2001, he said.

This would be achieved by selling the northern part of Western Areas, which was marginal at current gold prices, to Randfontein Estates, JCI's oldest mine, to create a low-margin, high-volume operation.

Management and technical staff would be transferred from JCI to individual mines, and the controversial system of management contracts between mines and JCI's head office would be cancelled.

The changes are intended to warrant a re-rating of JCI's gold assets, which it hopes will become the crown jewels in a full-blown merger between JCI and Lonrho.

Jürgen Schrempp: 'This is not playing around'

Daimler to invest C\$1bn in methanol engines

By Nicholas Denton in San Francisco

Daimler-Benz, the German motor and aerospace company, plans to invest about C\$1bn (US\$725m) in research into "fuel-cell" engines powered by methanol with a view to starting development of production vehicles using the technology by 2000.

The commitment, which follows an investment by Daimler-Benz in a Canadian pioneer of fuel cells, came in an interview with Jürgen Schrempp, Daimler chairman, who was attending a conference in San Francisco.

"This is not playing around – this is very, very serious," he said. "If we want a serious production car in the year 2005, we have to develop a car with the fuel cell from 2000."

His comments follow last month's acquisition of 25 per cent of Ballard Power Systems, a leader in fuel cells, and a C\$450m programme to commercialise the technology.

Methanol-powered engines, while not enjoying the encouragement given by the state of California to "zero-emission" vehicles powered by hydrogen or electricity, offer a balance between commercial and environmental considerations.

Fuel-cell engines – which Daimler-Benz hopes to offer in the next generation of its A-class car, set to be launched in 2005 – are in principle more energy-efficient than traditional engines, and less polluting.

Begemann legal claim a gamble for investors

By Gordon Cramb in Amsterdam

For the title of western Europe's most speculative stock, Begemann B can have few rivals.

On the main board of a frowning Amsterdam stock exchange, trading began yesterday in shares which offer nothing except a slice of any proceeds from a Fl 1.2bn (\$603m) lawsuit being brought by the Dutch industrial investment company and its former chairman.

The defendants are the state – and banks and broking firms which control the bourse itself. Exchange authorities had opposed the listing, but were forced to give in after relaxing admission rules this year.

The justice ministry and the VVE, the stockbrokers' association which in January merged its activities with the European Options Exchange (EOE), are being sued by Begemann and Joep van den Nieuwenhuyzen.

While at the helm of the company in 1991, he was prosecuted for misuse of insider information, leading to a conviction which was overturned on appeal last year.

The so-called Begaclaim maintains the prosecution was unjust, and was fuelled by a VVE anxious to show its muscle at a time when insider trading legislation was ill-defined. Publicity which "grew to hurricane force" damaged him and the company.

The one-for-one scrip issue to Begemann shareholders is intended to insulate the ordinary A-shares against speculation about the course of a lawsuit not yet under way.

Begemann shares, which changed hands for Fl 170 in 1991, closed yesterday at just Fl 26. Although down Fl 5.90 on the day, the latest fall reflected the introduction of the Begaclaim shares, which made their debut at Fl 5.20 before ending higher than expected at Fl 7.50.

This values the new class of stock at Fl 38.5m. Put another way, investors were giving the claim a 3.2 per cent chance of succeeding in full at present-day values.

The exchange had warned that "holders of the B-shares ought to realise that the picture is based on the vision as set out by Begemann in the prospectus".

The document for the issue, led by Amsterdam-based Keijser Effecten, argues that not only were the plaintiffs' reputations damaged but that acquisition opportunities were missed and businesses had to be divested.

Tjerk Westerterp, former head of the EOE who now chairs Begemann's non-executive directors, said ahead of yesterday's launch: "I can't deny this is a really speculative share. If the claim delivers nothing, you get nothing. It has some of the characteristics of an option, but even with options you know precisely when they expire – here you do not."

Gerber to step down as Roche chief

By William Hall in Zurich

Fritz Gerber, 68, who is credited with turning Roche into one of the world's most successful pharmaceutical companies over the last two decades, will step down as chief executive at the end of the year.

He will be replaced by Franz Humer, 51, Roche's chief operating officer.

The appointment of Mr Humer, who joined Roche less than three years ago after being passed over for the top job at GlaxoWellcome, the UK drugs group, will ease stock market concerns about the management succession at Roche.

Mr Gerber, who is 68, will continue as executive chairman. He said yesterday he wanted to lead the company into the next century.

Mr Humer, who was brought in to restructure Roche's core pharmaceutical business, appeared to be the heir-apparent when he was appointed chief operating officer a year ago. However, the main operating divisions continued to report directly to Mr Gerber.

Under the new structure, Mr Humer will continue to head the pharmaceutical business but will take over the day-to-day running of the company from Mr Gerber.

Roche's most widely-quoted security closed SFr400 higher at SFr13,300.

EUROPEAN NEWS DIGEST

Charges hit Saga Petroleum

Saga Petroleum, Norway's largest independent oil producer, yesterday blamed adverse currency translation for a sharp fall in pre-tax profits in the eight months to August 31. The group saw profits fall from NKr2.1bn to NKr694m (\$99m) after being hit by financial charges of NKr1.66bn.

Saga blamed the charges mainly on depreciation of the krone, which weakened from NKr6.44 to NKr7.50 against the dollar during the period – increasing the interest cost of dollar-denominated debts. The interest expenses and one-off financial items overshadowed a 20 per cent increase in operating profits, which jumped from NKr1.96bn to NKr2.36bn on higher sales of NKr8.68bn against NKr4.68bn. The increase was fuelled mainly by additional hydrocarbon production on the British continental shelf and a rise in oil prices.

Asbjorn Larsen, who announced plans to stand down as chief executive next year, said: "Even though Saga's operating income shows a significant increase compared with the same period last year, we are not satisfied. Our oil production has been lower than expected on both the British and Norwegian shelves." Saga's total production of oil, natural gas liquids and gas in the first eight months amounted to 46.7m barrels of oil equivalent against 34.2m barrels last time. Nevertheless, the impact of financial charges and unfavourable currency movements reduced earnings per share from NKr5.80 to NKr2.47. The group's A shares fell NKr3 to NKr147.50, while the B shares dropped NKr3.50 to NKr132.50. *Tim Burt, Stockholm*

■ CASINO

Promodès' FFr31bn bid rejected

The supervisory board of Casino, the French retailer, yesterday unanimously rejected the hostile FFr31bn (\$5.2bn) takeover bid by rival Promodès. The decision came after a meeting at which Casino's board examined a comparison by an independent expert of the Promodès offer and the "white knight" bid by Rallye, which already owns 33 per cent of Casino's shares. Jean-Charles Naouri, head of Rallye and of Casino's supervisory board, claimed that the Promodès project threatened the group's growth in France and internationally, and threatened its commercial organisation, logistics, business culture and employees' position. *Andrew Jack, Paris*

■ DEFENCE INDUSTRY

Lagardère advances 13% midway

Lagardère, the French defence and publishing conglomerate, yesterday reported a 13 per cent advance from FFr409m to FFr463m (\$78.5m) in first-half net profits and predicted a "fairly significant" rise for the full year. The group, which remains a candidate to take a stake in the Thomson-CSF defence electronics giant, posted a more impressive 42 per cent improvement at the operating level, driven by strong performances in the high technology and car and transport arms. Turnover climbed 18 per cent to FFr30bn. The figures were influenced by a number of one-off items, including exceptional costs of FFr100m linked to the group's candidacy for the Thomson buy-out. *David Owen, Paris*

■ COMPAGNIE GENERALE D'INDUSTRIE

French holding company ahead

Compagnie Générale d'Industrie et des Participations, the French holding company with stakes in Valeo, Cap Gemini and Crown Cork & Seal, yesterday reported slightly improved first-half net profits of FFr612m (\$103.7m), up from FFr603.5m. Consolidated profit before exceptional items rose more than 35 per cent to FFr408m. The company said the outlook for 1997, excluding exceptionals, "compares very favourably with that of last year". *David Owen*

■ INSURANCE

Trygg-Hansa shares suspended

Shares in Trygg-Hansa, one of Sweden's leading insurers, were suspended on the Stockholm stock exchange yesterday amid speculation of a possible takeover bid. The shares were suspended at SKr197, up from SKr189.80 on the day. Several analysts suggested Storebrand, the Norwegian insurance group, could be preparing a bid. If so, it would represent one of the first cross-border mergers in the Nordic insurance market. Storebrand declined to comment, although a further statement from Trygg-Hansa is expected today. Other possible bidders were last night said to include Wasa, another Swedish insurer, and Nordbanken and Skandinaviska Enskilda Banken. Some analysts said Trygg-Hansa might be preparing to merge its non-life business or mutual funds operations with an overseas competitor rather than agree an outright sale. *Tim Burt*

■ COURT RULING

Pechiney US unit wins reprieve

Pechiney, the French aluminium and packaging group, said yesterday that a 1996 court ruling ordering its American National Can subsidiary to pay a fine of \$102m in damages and interest in a patents dispute with Viskase would be reviewed by the Chicago Federal Court. The jury in the original case found American National Can violated patents on plastic film used in the food industry, following a challenge by Viskase. Yesterday's decision by the Chicago Federal Court follows an appeal by Pechiney's US operation. The court recognised the need to review the "totality of interest payments and damages" as well as the validity of the patents in question, Pechiney said. *AFX, Paris*

■ DRESDNER BANK

New supervisory board chairman

Dresdner Bank yesterday appointed Alfons Titzrath as chairman of its non-executive supervisory board to replace Wolfgang Röller, who resigned last month amid allegations of tax evasion. *Graham Bowley, Frankfurt*

BCI raises ceiling on voting stakes

By Paul Betts in Milan

Banca Commerciale Italiana (BCI) has raised the ceiling on investors' voting stakes in a move that could affect its ownership structure.

The bank, Italy's fourth largest, said yesterday it would raise from 3 per cent to 5 per cent the limit on the voting stake shareholders can hold.

The board's decision is widely seen as a compromise between its core Italian shareholders, led by insurer Assicurazioni Generali, and Banque Paribas of France.

Paribas, which holds 3 per cent, had pressed for an immediate increase in the ceiling to 10 per cent. Generali and some of the other Italian shareholders argued for a gradual rise. They also urged BCI to wait for the government's new rules on cross shareholding limits, due to be announced next year.

The main concern among core Italian shareholders is that raising the limit too sharply risks changing BCI's ownership structure when the bank still faces a series of important strategic problems. They also fear Paribas is seeking to increase its influence at BCI.

Trading in BCI shares has been particularly active in recent months with large blocks changing hands, reflecting market expectation of developments in its ownership structure and operations.

BCI has been a traditional commercial banking ally of Mediobanca, the secretive Milan investment bank, in which it owns an 8.8 per cent stake.

Both BCI and Mediobanca are understood to have been considering a merger, which financial analysts say would enhance BCI's corporate finance business at the same time as ensuring a commercial banking distribution channel for Mediobanca.

But the main challenge for BCI, which this week reported a 33.8 per cent fall in consolidated net earnings to L137bn (\$79m), is the expansion of its Italian retail banking presence. After raising L1,575bn from a 1994 rights issue, BCI has the resources to make an acquisition but has been rebuffed twice in the past three years – first by Banco Ambrosiano Veneto, and then by the Cariplo savings bank. It also appears to have been left on the sidelines in the current phase of consolidation in the Italian banking industry.

Equally, the bank's war chest could be turned into a defensive battery should BCI become the target of a hostile raider, especially if the voting-right limit is eventually relaxed even further.

EUROPEAN NEWS DIGEST

Frontline alters terms of ICB bid

Frontline, the Bermuda-based tanker operator bidding for Swedish rival ICB Shipping, yesterday revised its hostile SKr3.22bn ($425m) offer in an attempt to scupper ICB's proposed $309m acquisition of Greek-owned Astro Tankers. Frontline – which last month replaced its initial cash and paper offer with an all-cash bid of SKr115 a share – said it was increasing the offer for investors holding ICB's A voting rights, to SKr130 a share.

The company, which is quoted in Oslo, said it would abandon its bid unless ICB revoked the proposed purchase of Astro from the Angelicoussis family. Although it has acquired *51.7 of ICB*'s share capital and 31.4 per cent of the voting rights, Frontline needs more than 50 per cent of the voting A shares to block the Astro takeover.

ICB urged shareholders to reject the revised offer, pointing out that it reflected an increase of just SKr37.2m, or $4.9m, in the value of the bid. "It has not increased its offer for the B shares at all," the company said. "This amended offer does not reflect the full value of ICB."

ICB's A shares closed up SKr2 at SKr140, while the B shares closed down SKr2 at SKr112. *Tim Burt, Stockholm*

■ BANKING

Natexis seeks to raise FFr1bn

Natexis, the French bank formed last year through the merger of Crédit National and Banque Française du Commerce Exterieur, plans to raise FFr1bn ($169m) from the financial markets in the next few months. Emmanuel Rodocanachi, chairman, said yesterday the group was preparing a "very substantial" issue of preference shares in the US market. A US investment bank had been hired to advise on the deal, he said.

Asset sales and securitisations are also being considered as the bank looks to lift its Tier 1 regulatory ratio to above 5.6 per cent, from 5.1 per cent following new provisions unveiled yesterday. Natexis has also studied the possibility of a rights issue, but until now has been frustrated by the valuation and volatility of its share price.

Group results for the first half showed net income of FFr177m, compared with a loss of FFr112m last year. Natexis was forced to take substantial additional provisions during the first six months, largely under pressure from the state banking commission, which is carrying out a detailed inspection of the group. Net provisions jumped from FFr473m to FFr896m, including an increase from 34 per cent to 40 per cent of provisions against its exposure to Eurotunnel, operator of the Channel tunnel rail link.

Andrew Jack, Paris

■ FRANCE TELECOM

Subscriptions exceed 1m

More than 1m small investors have so far subscribed for shares in France Telecom, putting the former monopoly operator within range of the 2m shareholders it hoped to attract. Christian Pierret, industry minister, making the disclosure, called the government's planned sale of more than 20 per cent of the capital "a very good success".

The reservation period for French retail investors runs until October 6, when a definitive price for the shares will be decided. The government has set a range of FFr170-FFr190 a share for the offer, valuing it at FFr35.9bn-FFr40.1bn. Yesterday's figures followed this week's day of action called by some France Telecom trade unions, which was followed by only 16 per cent of employees – highlighting splits in the labour movement over how to respond to the planned partial privatisation. The moderate CFTC union said the day of action was "a strike too far" and likened it to trying to cut water with a sword.

David Owen, Paris

■ ENGINEERING

Valmet boosted by one-off gain

Valmet, the Finnish forestry machinery and engineering group, said yesterday that full-year earnings would almost reach last year's level, in spite of weaker than expected profitability in the first eight months. Pre-tax profits in the eight months to August 31 rose from FM619m to FM820m ($155m). However, the increase was mainly because of a FM200m extraordinary gain on the disposal of equity stakes in Sisu and Partek, two Finnish engineering groups which merged earlier this year.

Valmet's most-traded A shares closed up FM3.10 at FM90 as investors reacted to the upbeat earnings forecast and better-than-expected order intake. Orders booked rose from FM7.18bn to FM7.36m. Sales advanced from FM7.39bn to FM7.44bn, with 80 per cent being generated by exports from Finland and international operations. Operating profits slipped from FM617m to FM544m, however, as overheads increased. *Greg McIvor, Stockholm*

MONTHLY AVERAGES OF STOCK INDICES

	September	August	July	June
FTSE Actuaries Indices				
FTSE 100	5010.4	4945.5	4842.8	4649.4
FTSE 250	4691.2	4628.9	4455.4	4488.2
FTSE 350	2411.6	2380.3	2323.3	2251.0
FTSE Non-Financial	2373.99	2326.05	2284.20	2231.81
FTSE Financial Group	4634.33	4647.61	4468.00	4281.17
FTSE All-Share	2356.07	2323.59	2269.90	2208.33
FTSE Eurotrack 100	2620.24	2678.26	2687.80	2432.61
FTSE Eurotrack 200	2628.45	2673.75	2667.30	2442.39
FT/S&P-A World Index	257.56	259.13	262.80	240.34
FTSE Indices				
FT Govt Securities	98.50	98.81	97.20	96.48
FT Fixed Interest	127.80	125.79	125.40	121.99
FT 30	3222.3	3153.8	3074.3	3000.3
FT Gold Mines	1371.57	1428.53	1360.70	1494.63
SEAQ Bargains (5.00pm)	41,532	46,907	51,222	49,940

	Highest close Sep	Lowest close Sep
FTSE 100	5244.2 30th	4848.2 12th
FTSE 250	4829.9 30th	4610.2 1st
FTSE 350	2516.3 30th	2342.5 12th
FTSE All-Share	2455.02 30th	2292.01 12th
FT 30	3374.2 26th	3124.1 1st

Streamlined SAS aims for smoother flight

Jan Stenberg, the 58-year-old lawyer at the controls of Scandinavian Airlines System, is hoping to steer the carrier into calm airspace after three years of turbulence.

Since joining SAS in 1994 from Ericsson, the telecommunications group, he has off-loaded some of the company's excess baggage. Gone are SAS's charter business – sold to Airtours, of the UK – its stake in LanChile, the South American airline, and its catering arm.

Gone also are some 3,000 jobs, following a restructuring drive by Mr Stenberg, who has staked his reputation on making SAS a leaner operation than the sprawling empire he inherited from his predecessor, Jan Carlzon.

Although costs have been cut by more than SKr3bn ($395.8m), the chief executive says he is by no means finished: "We will continue to drive our costs down and there are active plans for doing so."

But there has been a subtle change. The airline survived the surgery required to pull it through the recession of the early 1990s, and has moved from a period of retrenchment to "focused growth".

That means investing heavily to replace ageing aircraft with more fuel-efficient modern jets. SAS is also exploring contracting out more non-core services, and has asked NatWest Markets, the UK investment bank, to study a trade sale or flotation of its Radisson SAS hotels division.

As part of that programme, the carrier has placed its largest aircraft order, worth SKr9bn, with Boeing for 41 737-600 short-haul jets, with an option for an additional 35.

Deliveries of those aircraft, due to begin next year, could be followed by orders for new long-haul jets. Mr Stenberg has asked purchasing managers to draw up a study of SAS requirements on intercontinental routes, and hints that the airline may replace its Boeing 767 fleet with either 15 Boeing 777s or Airbus equivalents. Industry analysts estimate that order could be worth $2bn.

As SAS has no tradition of operating large Boeing or Airbus fleets, maintenance of those new aircraft could be contracted out.

Such a move would antagonise SAS's 40-odd unions and lead to job losses among its 3,200 maintenance workers. However, Mr Stenberg has already begun talks with Lufthansa, which could see the German carrier taking over large parts of the maintenance programme for the new 737s.

He cites the negotiations as an example of how SAS will benefit from its membership of the Star alliance, formed earlier this year between Lufthansa, United Airlines of the US, SAS, Air Canada, Thai Airways and Varig, of Brazil.

Members of the alliance, while retaining individual brands and identities, have agreed to pool frequent-flyer programmes and share some booking and airport facilities. Mr Stenberg says this should create a "seamless traffic system" that will enable medium-sized carriers to compete with the big airlines such as British Airways and American Airlines.

Formation flying: members of the Star alliance, from left, are Thammon Wanglee, of Thai Airways; Jerry Greenwald, of United Airlines; Air Canada's Lamar Durrett; Jan Stenberg, of SAS; Varig's Fernando Pinto; and Jürgen Weber of Lufthansa AP

Star, he adds, bears no resemblance to the failed Alcazar partnership with KLM Royal Dutch Airlines, Swissair and Austrian Airlines.

"Star is different. It is about expanding the business globally, and it will grow in depth and width by adding new partners."

While analysts applaud Star for feeding passengers from North America and further afield to SAS, they warn of the growing competition in its Nordic backyard.

In the past year, SAS has been challenged by Braathens Safe, of Norway, on the Oslo-Stockholm route; Ryanair, on London-Stockholm; Virgin Airlines, on Brussels-Stockholm, and Maersk Air of Denmark and Finnair on other routes.

"SAS has a problem. I don't know how they will counter all this competition, particularly from the low-cost carriers," says Chris Avery, analyst at Paribas.

That competition led to a SKr269m first-quarter loss. But Mr Stenberg says SAS has proved it can withstand the challenge by staging a second-quarter rebound, with pre-tax profits of SKr1.38bn. "We have been successful in defending our market positions – our competitors have won less than 20 per cent of the market."

Nevertheless, the competition and ensuing price cuts have dented yields at SAS. This has forced it to seek improved load factors to offset the reduced margins on its premium fare passengers. But while SAS has 90 per cent of the business class market in the Nordic region, it has not proved so successful in the cheaper tourist and economy sector.

Charles Donald, analyst at UBS in London, says: "In any sort of downturn SAS would feel the pain, and it's not clear that being a member of the Star alliance would protect them."

But Mr Stenberg maintains SAS has emerged from restructuring as a fitter organisation, better placed to withstand competition. "Costs will fall and utilisation will rise. That is our recipe for success."

Tim Burt

COMPANIES AND FINANCE: UK

Airtours to buy Sun of Belgium

By Scheherazade Daneshkhu, Leisure Industries Correspondent

Airtours, the acquisitive UK-based tour operator, has agreed in principle to buy Sun International, Belgium's largest tour operator, in a deal worth £70m.

The offer furthers Airtours' strategy of overseas expansion while grabbing a big slice of the fast-growing UK short breaks market through Cresta and Bridge, Sun's UK-based tour operating subsidiaries. Airtours shares closed up 22½p at £10.75.

Bridge claims to be the largest UK short breaks operator, through brands including Paris Travel Service and Amsterdam Travel Service.

Airtours has signed a letter of intent with Famfinance, Faminvest, Sofina and Assubel, Sun's four principal shareholders – which control 80 per cent of the loss-making company – to buy their stake for BFr4,900 a share, subject to due diligence. It would make a mandatory bid for the publicly-held shares.

Rudolf Vanmoerkerke, chairman and founder of Sun, whose Famfinance and Faminvest family holdings have a 53 per cent stake, said yesterday the company had been fighting to survive in an increasingly competitive European market dominated by large integrated groups.

Sun International will have carried 1.14m passengers in the year to October.

It made pre-tax losses last year of BFr547.4m (£9.31m) on turnover of BFr14.2bn, after financial problems caused by the withdrawal of two German partners in its SunParks holiday villages. Airtours is not acquiring SunParks, which have been excluded from the deal.

Harry Coe, Airtours finance director, said the deal would get Airtours into another country and make it bigger in the growing market of short breaks.

Airtours's overseas expansion began in 1994 with the acquisition of the Scandinavian Leisure Group, the region's largest tour operator. It entered the Canadian market two years ago with the purchase of Sunquest.

Fund manager shifts format

By Jane Martinson, Investment Correspondent

Henderson Investors, one of the UK's few independent fund management groups, yesterday announced the integration of its institutional and retail businesses and the abrupt departure of two directors.

James de Saumarez, an executive director, resigned as head of the group's retail division after it was decided that Mark Lund, who was responsible for institutional clients, should take over both sides of the business.

Dugald Eadie said he had been trying to integrate the business since being appointed managing director in May 1995. "There was a huge cultural assumption that retail was somehow different from institutional," he said. "Whereas I am saying we are a fund management house and it isn't as different as people think."

One consultant said that the reorganisation could herald a new trend in the industry to reflect the fact that its institutional and retail sides were converging.

Mr Eadie said the reorganisation would lead to cost savings of less than £5m. He denied that the change was part of a strategic shift to attract more institutional clients.

Henderson suffered a haemorrhage of pension fund clients in 1995 after a couple of years of weak performance. Institutional funds represented almost half of the group's £11bn under management in 1993 and only £2.6bn of the £15.9bn at the end of June.

Taking measure of GMG brands

By John Willman, Consumer Industries Editor

As the European Commission moves towards approving the proposed merger between Guinness and Grand Metropolitan, there is continuing uncertainty over the conditions that will be imposed on the two UK-based companies.

The Commission is expected to give the go-ahead to the £23.5bn ($37.8bn) merger at its meeting on October 15, following consultations with member states' competition experts on Tuesday. Approval by the Federal Trade Commission, the US regulator which has co-ordinated its investigation with Brussels, should follow soon after.

Speculation continues that the new company, to be called GMG Brands, will be required to sell some brands to reduce its dominance in the US and European markets.

The GMG partners have offered a list of undertakings to the regulators

which have met with complaints from three of GMG's rivals: Allied Domecq of the UK, Seagram of Canada and Irish Distilleries, a subsidiary of Pernod-Ricard, the French drinks group.

Allied and Seagram in particular are pressing for the shedding of more important assets. Top of their list is one of GMG's leading Scotch brands which includes half the ten global best-sellers including three in the US top five – Dewar's, J&B Rare and Johnnie Walker Red.

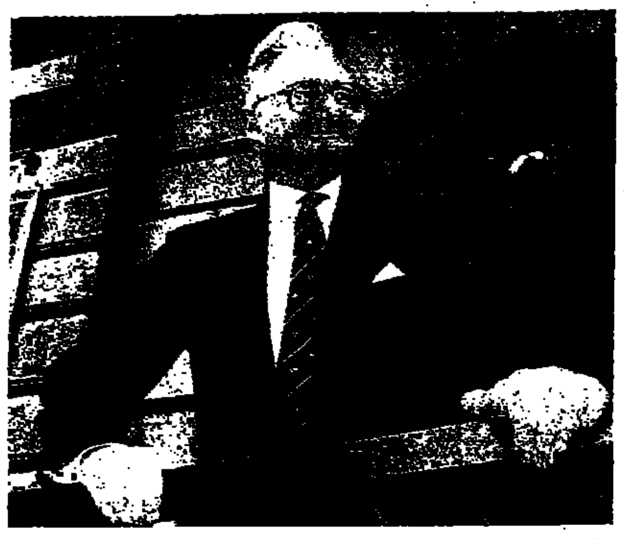
Selling Johnnie Walker Red would be unthinkable for GMG – it is the best-selling global brand by a substantial margin while Johnnie Walker Black is sixth.

Allied and Seagram would like to see the disposal of Dewar's, the eighth best-selling global brand which is number one in the US and third in Spain. Both would be able to bid for it without running foul of regulators.

But shedding the top-selling US brand would be a big sacrifice for GMG. Nor would selling J&B be much more palatable: it is number two globally and in the US.

Store banks take off

By George Graham, Banking Editor


Brendan Corr

Last stand: Sir Bruce plans to step down from governorship

Supermarket banking has taken off in the UK with a bang, with Sainsbury's Bank, launched in February by the J. Sainsbury supermarket chain, taking in £900m of deposits in its first six months in business.

Bank of Scotland, which manages the new bank and owns a 45 per cent stake, said 400,000 customers had already signed up, far exceeding expectations.

"Personally, I thought if we got a quarter of a million in the first year we would be doing well," said Peter Burt, Bank of Scotland's chief executive, as he announced a 14 per cent rise in pre-tax profits to £370m in the six months to August 31.

The arrival of Sainsbury's Bank and Tesco Personal Finance, launched by Sainsbury's arch rival, in partnership with Royal Bank of Scotland, has coincided with a substantial movement, as savers have started to move their money.

Sainsbury and Tesco are offering some of the most attractive rates in the market, but City analysts warned that their ability to keep attracting deposits had still to be tested.

"The real issue is whether people will move from the traditional providers, and the evidence seems to be that they will," said Derek Sach, chief executive of Tesco Personal Finance.

Sir Bruce Pattullo, governor of the Bank of Scotland, said the supermarket banks could help to break the grip of the traditional banks and building societies on savings. "Up until now retail deposits have had a stickiness. I think Sainsbury's, and of course Tesco too, are going to bring an increase in the mobility of deposits."

The new banks can price their products competitively against a traditional supplier up to his eyes in infrastructure, added Sir Bruce, who plans to step down as governor next May, when he will be 60.

NAB buys Australian NatWest arm

By Elizabeth Robinson in Sydney and Jane Martinson in London

National Australia Bank yesterday bought the Australian investment management interests of NatWest Markets, the UK bank.

The acquisition of County NatWest Australia Investment Management adds A$8.9bn ($6.4bn) to NAB's funds under management, bringing its total to A$14.5bn and making it the eighth largest asset manager in the country.

No purchase price was disclosed. However, one analyst said a "rule of thumb" guide to prices in fund management would put the deal at just over £80m, while another suggested it might be nearer £50m.

NatWest said yesterday that the Australian operation was "not a core strand of our wealth management business".

There is increasing speculation that County NatWest Securities Australia, one of the country's largest securities businesses, is also up for sale although NatWest Markets yesterday denied this.

NAB said that although the purchase would be absorbed into its National Australia Asset Management arm, it would retain the brand as "County Investment Management". There would be no immediate staf changes.

Don Argus, NAB chief executive, said the purchase was "part of our overall strategic thrust to build non-interest income".

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Austin Reed	28 wks to Aug 9	40	(38.9)	2.54	(2.28)	5.5	(4.9)	2.5	Dec 1	2.25	-	6.5
Bailey (CH)	Yr to Mar 31	4.2	(4.83)	0.529L	(0.682)	0.88L	(1.14)	0.25	Jan 30	nil	0.25	nil
Bank of Scotland	6 mths to Aug 31	-	(-)	346.9♠	(324.3)	18	(15)	3.46	Nov 28	2.91	-	8.22
Brands Hatch	6 mths to June 30	6.81	(6.78)	1.27	(0.696)	3.9	(-)	-	-	-	-	0.5
Brooks Service	6 mths to June 28	14.5	(13.5)	0.307	(0.243)	1.65	(1.35)	1.3	Nov 21	1.2	-	3.5
CTR	3 mths to July 31	24.8	(31.1)	0.5L	(1.6)	0.1L†	(1.1)	-	-	-	-	nil
Chiroscience	6 mths to Aug 31	9.2	(4.7)	14.4L	(7.6L)	13.6L†	(9.7L)	-	-	-	-	-
Culver	6 mths to June 30	41.5	(36.5)	0.02	(0.062)	0.49†	(1.72)	3.25	Nov 13	3.25	-	7.5
Dicom Φ	Yr to June 30 ⁂	58	(32)	3.53	(2.53)	24†	(22.3)	1.6	Dec 1	0.75	2.4	0.75
Druid	Yr to June 30	22.1	(12)	5	(3.01)	13.94†	(7.41)	2.1	Nov 14	-	2.9	-
Global	6 mths to June 30	70	(73.5)	0.098♠	(1.2)	0.62†	(0.54)	0.23	Nov 28	0.21	-	0.65
Johnston	6 mths to June 30	78.9	(70.8)	1.17♥	(1.65)	3.35	(7.5)	4.5	Dec 11	4.5	-	12
Provend	Yr to June 29	52.3	(45.8)	1.67♠	(1.21)	9.6†	(11)	3	Dec 16	-	-	-
Seafield	6 mths to June 30	5.1	(4.71)	0.421	(0.121)	0.6	(0.2)	-	-	-	-	-
Shaw (Arthur)	Yr to Mar 30	17.1	(18.3)	1.9L♠	(3.7L)	5.39L	(9.72L)	nil	-	nil	nil	0.2
Stylo	6 mths to Aug 2	137	(88.5)	2.49L	(0.57)	4.17L	(1.26)	-	-	-	-	4.66
Thorpe (FW)	Yr to June 30	23.7	(21.3)	3.12	(2.22)	16.3	(11.9)	3.13	Nov 19	2.85	4.5	4.18

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Murray Split	Yr to Aug 31	294.9	(233.7)	1.01	(0.988)	12.6	(12.4)	3.3	Dec 22	3.15	12	11.4
Fleming Mercantile	6 mths to July 31	419.2	(371.9)	8.81	(8.39)	6.09	(5.81)	2♦	Nov 1	1.9	-	8.7

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. ⁂Comparatives pro forma. ♦Second interim; makes 4p to date.

Pearson expects doubled revenues

By John Gapper, Media Editor

Pearson, the media company that owns the Financial Times, expects to double revenues from selling television game shows around the world by buying All American, the US production company for $373m.

Pearson, which launched a recommended tender offer for All American yesterday after first approaching it two years ago, said its own £65m game show revenues last year were matched by All American's from shows such as *Dating Game*.

Marjorie Scardino, Pearson chief executive, also said that it intended to sell passive holdings in television companies that include a 3 per cent stake in Flextech and 4 per cent in BSkyB.

Pearson's directors said it had been helped in offering a price equivalent to 24 times All American's 1996 earnings by differences between UK and US accounting policies, and an expectation of annual merger savings of $10m.

Anthony Scotti, a former American football player who is chairman of All American, is to leave the company along with other directors including his brother Benjamin. Mr Scotti is to realise $100m from his stake in All American.

It is the third large television production acquisition by Pearson after Thames Television in 1993 and Grundy two years ago. The deal means that 70 per cent of Pearson Television revenues will come from outside the UK.

Pearson will acquire net debt of $136m with All American, bringing the total cost to $513m. This amounts to a goodwill payment of $450m (£282m), reducing Pearson's shareholders' funds from £397m to £178m.

Pearson's net debt will rise from £559m to £834m, taking gearing up from 140 to 470 per cent. Mrs Scardino said she was "comfortable" with the level of interest cover at the moment, but emphasised that it could be reduced through asset sales.

Waterstone's WH Smith bid rejected

By Robert Wright

WH Smith, the books, records and newspaper retailer, last night rejected an unexpected bid from Tim Waterstone, the entrepreneur and founder of WH Smith's Waterstone's book subsidiary.

WH Smith, which has faced criticism of its performance in recent months, said it was approached by Mr Waterstone with the bid – worth 200p in cash plus shares in a new WH Smith company – on Saturday evening. It was rejected at a board meeting yesterday.

WH Smith said Mr Waterstone had raised up to £1bn ($1.61bn) of debt to finance the cash offer and capital investment. The deal would also involve WH Smith's purchasing Mr Waterstone's one-stop children's retailer, Daisy and Tom, for a value WH Smith claimed was £35m. Mr Waterstone would have been appointed WH Smith chief executive and would have been awarded warrants equal to 5 per cent of WH Smith shares.

City opinion was divided over whether to take the deal seriously. One analyst said it was typical of the kind of highly leveraged deal to be expected at the end of a long bull run. One analyst calculated the debt would leave the new company with gearing of 250 per cent.

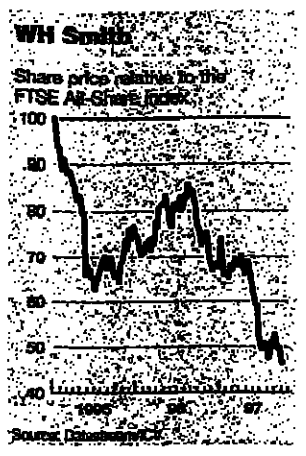
Proponents of the deal, however, suggested that shares in the new company might be worth as much as 200p a share. That would give a total valuation for the company of 400p a share – a total value of £1.17bn – compared with last night's closing price of 365½p a share.

Richard Handover, WH Smith chief executive, said the deal had been rejected because it left the company with nothing but debt.

Tim Waterstone founded Waterstone's with £6,000 of a £50,000 redundancy payment from WH Smith's. WH Smith later paid £42m for Waterstone's, of which Mr Waterstone received £10m.

LEX COMMENT

WH Smith



You have to hand it to Tim Waterstone – he does not lack *chutzpah*. But even WH Smith's long suffering shareholders are unlikely to be seduced by his opportunistic proposal. Certainly, they have reason to be receptive: the company's recent appointment of Richard Handover as chief executive was underwhelming. A man with loyal service in the trenches is not an obvious turnaround artist. Still, being stuck in the frying pan is not a reason to jump into the fire. Perhaps Mr Waterstone has the retail magic the core chain has so conspicuously lacked. But this should not be taken for granted: if WH Smith is so easy, where were the good candidates for chief executive? And a strategy of focusing on books, news and stationery hardly reeks of originality. Anyway, only the most optimistic assumptions can make Mr Waterstone's offer look attractive.

Assume around 19p earnings for next year; value these at nine times – a discount to the current 11½ price earnings multiple to take account of greater financial risk – and you come up with 170p. Add to that the 200p cash offer, and WH Smith shareholders are being offered around 370p per share – barely a premium to yesterday's 365p closing share price.

Add to this a heightened risk profile, both financially and strategically and Mr Waterstone's offer is distinctly refusable. Perhaps he or others will come up with something better. But it will need to be much tastier to justify a further round of disruption.

N Rock in strong market debut

By Christopher Brown-Humes

Northern Rock rounded off the year's £35bn ($56.4bn) demutualisation bonanza with a stronger-than-expected stock market debut yesterday that brought windfalls worth about £2,300 to each of its 885,000 members.

Shares in the converting building society closed at 463p, valuing the flat rate allocation of 500 shares every member received at £2,315.

Institutions bid up to 500p, with all bids above 442p successful.

The closing price is more than 60 per cent above estimates of Northern Rock's value at the start of the year, reflecting the surge in bank shares since then. It values Northern Rock at £2.05bn, putting it within striking distance of the FTSE 100 index.

Northern Rock is the last of five big financial services institutions to float this year, following Halifax, Woolwich, Alliance & Leicester, and Norwich Union.

Chiroscience near marketing deal

By Roger Taylor

Chiroscience, the biotechnology group, said yesterday it was close to a marketing deal on its first new drug, named Chirocaine, due to be launched next year.

It also announced its intention to restructure Chirotech, its technological services business, by forming a joint venture or partnership arrangement with a fine chemicals business.

John Padfield, chief executive, refused to rule out the possibility that the company might sell the business.

A marketing deal on Chirocaine, and the sale of all or part of Chirotech, would provide valuable cash resources and help to fund the company through to the launch of its first drug.

Mr Padfield said yesterday that Chirocaine, an improved local anaesthetic, was on course to be launched in the middle of next year.

The comments came as the company reported losses of £14.4m (£7.6m losses) for the six months to August 31. Sales increased sharply to £9.2m (£4.7m).

Research and development expenditure rose to £19m (£7.1m) leaving the group with net cash of £37.4m at the end of the period, down from £51.4m six months earlier.

Bodycote plans French purchase

By David Blackwell

Bodycote International is planning to buy a French heat treatment company that will open doors to eastern Europe and south-east Asia.

The rapidly expanding group, which treats metals for specialist purposes, agreed yesterday to pay FFr530 a share for 66.9 per cent of HIT, the leading French independent heat treatment and metallurgical coatings specialist. The deal, which requires approval from shareholders and the French government, values the entire company at FFr604.6m ($101.61m).

John Chesworth, chief executive, described the acquisition as "strategically beneficial" bringing plants in the Czech Republic and China. The group, already the biggest European operator in heat treatment, would have about 5 per cent of the fragmented world market.

HIT reported profits of FFr69.3m on sales of FFr607.8m in the year to August 1996. It has 42 sites, mostly in France.

The acquisition comes less than a year after the $92.6m purchase of Bruken, the Swedish heat treatment group, funded by a rights issue at 600p.

Bodycote shares rose 20p to 997½p yesterday.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 02.10.97 · Final Prices for Trading on 01.09.97

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	15.07	11.77	11.60	1.68
0100	14.64	11.77	11.60	1.68
0130	14.64	11.77	11.60	1.68
0200	14.64	11.77	11.60	1.68
0230	14.64	11.77	11.60	1.68
0300	14.64	11.77	11.60	1.68
0330	14.64	11.77	11.60	1.68
0400	14.64	11.77	11.60	1.68
0430	14.64	11.77	11.60	1.68
0500	14.64	11.77	11.60	1.68
0530	14.24	12.49	12.33	1.68
0600	14.24	12.49	12.33	1.68
0630	14.24	10.32	10.32	0.00
0700	15.26	12.49	12.33	1.68
0730	19.11	13.17	13.00	1.68
0800	19.16	16.04	15.87	1.68
0830	19.49	16.01	15.85	1.68
0900	19.59	22.76	22.60	1.68
0930	31.89	24.57	24.43	1.68
1000	32.03	28.49	28.36	1.68
1030	28.09	28.52	28.40	1.68
1100	28.20	37.05	36.93	1.68
1130	28.29	37.10	37.00	1.68
1200	32.40	92.48	92.36	1.68
1230	32.32	92.44	92.34	1.68
1300	32.13	37.05	36.92	1.68
1330	25.89	26.25	26.11	1.68
1400	21.11	22.77	22.62	1.68
1430	19.55	22.77	22.61	1.68
1500	19.53	22.76	22.60	1.68
1530	19.53	22.76	22.60	1.68
1600	19.66	22.76	22.61	1.68
1630	23.17	22.77	22.62	1.68
1700	25.51	37.00	36.85	1.68
1730	23.48	36.99	36.84	1.68
1800	26.32	22.75	22.59	1.68
1830	26.41	22.73	22.57	1.68
1900	31.47	16.04	15.87	1.68
1930	53.20	16.04	15.87	1.68
2000	52.95	16.04	15.87	1.68
2030	37.57	30.61	30.44	1.68
2100	25.92	35.69	35.52	1.68
2130	18.43	35.69	35.52	1.68
2200	19.29	30.60	30.44	1.68
2230	18.70	15.73	15.56	1.68
2300	18.23	15.69	15.52	1.68
2330	18.23	15.69	15.52	1.68
2400	15.26	15.57	15.40	1.68

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) and final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon [illegible]

The Financial Times plans to publish another Survey on

Private Finance Initiative

on Friday November 14

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Fax: +44 1442 843 123

or your usual Financial Times representative

FT Surveys

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PUBLIC NOTICES

OFFICIAL NOTICE

The loss has been reported to us of the following London Metal Exchange Warrant No. 942894 covering 24 bundles of special high grade zinc ingots - brand Zletovo 99.995% - weight 25,350 kgs nett - stored in warehouse C. Steinweg Rotterdam.

We have been requested to issue replacement/duplicate warrant. Anyone claiming title to these goods is invited to enter protest by means of a summons against delivery of the said material or the issuing of substitute warrant.

C. Steinweg (London) Ltd., 106 Leadenhall Street, London EC3A 4AA

TANJONG PUBLIC LIMITED COMPANY

(Incorporated in England 1926 – Registration No. 210874)
(Registered as a foreign company in Malaysia – No. 990903-V)

NOTICE OF AN INTERIM DIVIDEND AND CLOSURE OF BOOKS

NOTICE IS HEREBY GIVEN that an interim dividend of 5.6 sen per share (after having taken account of Malaysian Income Tax at 30%) in respect of the financial year ending 31 January 1998 was declared by the Directors on 1 October 1997. Subject to the following paragraph, the dividend will be paid on 18 December 1997 to shareholders on record of the Company at the close of business on 28 November 1997.

Any employee of the Group who has exercised, or wishes to exercise, the option to subscribe for shares in the Company granted to such employee under the Company's Employees' Share Option Scheme should note that an employee exercising such an option is not entitled to an interim dividend if it is declared before the date of the employee's exercise of option.

The Register of Members of the Company will be closed from 29 November 1997 to 5 December 1997 (both dates inclusive) for the purpose of determining shareholders' entitlement to the dividend.

Registrable transfers received by the Company's Branch Registrars in Malaysia, Signet & Co. Sdn Bhd, at 11th Floor, Menara Aetna Universal, 84, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia, or the Company's Principal Registrars in the United Kingdom, Independent Registrars Group Limited, at Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ, England, up to the close of business at 5.00 p.m. on 28 November 1997 will be registered before entitlements to the dividends are determined.

FURTHER NOTICE IS HEREBY GIVEN that the Malaysian Central Depository Sdn. Bhd. shall not be accepting any requests for deposit and/or withdrawal of shares commencing 12.30 p.m. on 26 November 1997 until 12.29 p.m. on 28 November 1997. A Depositor shall qualify for entitlement only in respect of:

(i) Shares deposited into the Depositor's Securities Account before 12.30 p.m. on 26 November 1997;

(ii) Shares not withdrawn from the Depositor's Securities Account as at 12.29 p.m. on 26 November 1997;

(iii) Shares transferred into the Depositor's Securities Account before 12.30 p.m. on 28 November 1997 in respect of ordinary transfers;

(iv) Shares transferred into the Depositor's Securities Account at or before 3.00 p.m. on 28 November 1997 in respect of express transfers; and

(v) Shares bought on the Kuala Lumpur Stock Exchange on or before 21 November 1997.

Copies of the Unaudited Results of the Group and of the Company for the half year ended 31 July 1997 are available to the public during office hours at the Company's registered office in the United Kingdom at Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ, England.

By Order of the Board

Sinagamy Ramasamy
Secretary

1 October 1997

17th Floor Menara Boustead
Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

INTERNATIONAL CAPITAL MARKETS

Prices rise sharply on subdued US data

GOVERNMENT BONDS

By Simon Davies in London and John Labate in New York

European and US government bond markets pushed sharply higher yesterday, on relief at another set of subdued economic data from the US and Tuesday's decision not to increase US interest rates.

However, the odd one out was Italy, where bond prices fell on what prime minister Romano Prodi proclaimed as a political crisis.

The BTP December futures contract settled at 111.64, down just 0.32 from Tuesday, but at its low point yesterday it was down 0.89.

Giorgio Radaelli, senior economist at Lehman Brothers, described the response as muted. "The market is still obsessed with Emu convergence trades and assumes that Italy is part of it. But investors have assumed that the Reconstructed Communist party was a dog that barks but does not bite. It is now quite possible that this is wrong."

The yield spread over German bunds widened to 77 basis points, adding 10 basis points on the day. Traders suggested that there was some switching out of BTPs into UK gilts.

Elsewhere in Europe, bond markets moved higher, supported by recent decisions in the US, Germany and Canada to hold interest rates. There was also encouragement from Japan, where a surprisingly dour Bank of Japan tankan quarterly business survey sent government bond yields down to record lows.

Analysts suggested the Japanese government is now at least six months away from another interest rate rise and with the benchmark eight-year JGB closing at 1.79 per cent in London, marginally down on the Tokyo close, Japanese investors are likely to search for higher yields elsewhere. This should provide support for US Treasuries.

Joanne Collins, senior market strategist at Nomura International, said: "We have also been seeing increasing appetite by Japanese retail investors for gilts."

GERMAN BUNDS broke through the 5.5 per cent yield level, despite newspaper comments from Otmar Issing, the Bundesbank's chief economist, warning of inflationary risks.

Mr David Brown, chief European economist at Bear Stearns, said: "The Bundesbank's indication that it is leaving interest rates unchanged for the time being has come as a big relief to the European markets. This has given the green light for the Bund market to push up through very tough technical resistance at 103.00."

The December contract in London settled at 103.34, up from 102.96, with over 209,000 contracts traded – nearly 80,000 more than on Tuesday. Traders suggested bund yields would move lower, assuming no shocks from Friday's non-farm payroll figures in the US.

FRENCH OATS followed bunds higher, with the December contract in Paris settling at 100, up 0.26.

SPANISH BONOS also ignored political tensions in Italy, with the December contract rising 38 ticks to 104.42 on growing optimism of an interest rate cut.

UK GILTS had a strong day, with the yield spread over German bunds narrowing to 97 points, compared with the 98 point gap achieved after Friday's extraordinary rally.

Mr Stephen Lewis, chief economist at London Bond Broking, said: "This has to be seen as a short-term trade. The next bad news in terms of interest rates must be at least a month away."

The December contract on Liffe closed 9/32 higher at 120 9/32 and more than 115,000 contracts were traded. Analysts are talking of the possibility of UK gilts trading at a 50 basis point spread over bunds by the end of the year.

However, the likelihood that sterling would enter Emu at a lower rate will temper enthusiasm, since the yield gap will have to reflect anticipated currency losses for gilt holders.

A lower than expected reading on business activity in September helped send **US TREASURIES** sharply higher yesterday morning.

The National Association of Purchasing Management's September index fell to 54.2 per cent last month, its lowest reading in several months.

The morning release sent bond prices surging, with the 30-year Treasury bond up 1 5/32 to 100⅞, sending the yield down to 6.304 per cent. The two-year note gained 3/32 to 100 1/32, yielding 5.716 per cent, while the 10-year note increased 9/32 to 100 29/32, yielding 6.009 per cent.

"We had an initial boost from the overseas markets and continued higher on the strength of the NAPM report," said David Ging, market strategist at Donaldson Lufkin & Jenrette.

The value of the dollar was strong against other major currencies when the Treasury market opened.

The NAPM report came a day after a similar report by the Chicago purchasing managers, which also came in lower than expected, easing fears that strong economic growth could lead to a rise in inflation. In a separate release yesterday, construction spending fell 0.3 per cent in August.

As expected, the Federal Open Market Committee made no change to interest rate policy on Tuesday.

CAPITAL MARKETS NEWS DIGEST

CFTC reports on broker groups

Broker associations, which operate in the US futures markets, should be subject to greater disclosure and enhanced surveillance systems, the Commodity Futures Trading Commission said yesterday. However, the industry watchdog said it was not recommending tighter formal restrictions.

The associations are formed by brokers working on the trading floors of a number of US futures exchanges, and allow them to share responsibility for executing orders.

The CFTC has been studying the merits of these trading groups for about 18 months, in the wake of criticism that the arrangements squeeze out independent "locals", who also trade on the floors, and may prevent customers from getting the best order fulfilment.

In a report, the watchdog said it would make specific recommendations to each exchange to cover its particular broker association programme, as well as broader recommendations on "best practice" for the registration, data collection and oversight of these arrangements.

Among the CFTC's suggestions were that each association disclose financial arrangements between members to its respective exchange; improve notice to the public of the availability of broker association membership lists, perhaps through the internet; enhance surveillance systems to monitor member trading activities; and include procedures to address allocation of pit space, and prohibit the sale of pit space. *Nikki Tait, Chicago*

■ SOVEREIGN RATINGS

Egypt under review for upgrade

Moody's Investors Service, the New York-based credit rating agency, has placed Egypt's sovereign credit rating under review for possible upgrade. Earlier this year Moody's awarded Egypt a speculative grade credit rating. However, both IBCA, the London-based agency, and Standard & Poor's, Moody's closest rival, have subsequently awarded Egypt BBB– investment grade ratings. Moody's said it was prompted to review Egypt's Ba2 sovereign ceiling by the country's tight fiscal stance, its "deepening commitment to structural reform", and its low foreign debt burden. *Edward Luce*

■ EASTERN EUROPEAN DEBT

ANZ launches currency fund

ANZ Investment Bank yesterday launched an open-ended local currency fund which will focus wholly on debt instruments in eastern Europe. The fund, which has a minimum investment of US$25,000, will give investors exposure to markets such as Moldova, Serbia, Ukraine and Bulgaria, the bank said. It will concentrate mostly on sovereign debt with maturities of less than 12 months, but will also invest in the debt of companies and banks closely linked to the state. Dealings are due to start on October 15. *Edward Luce*

French property group plans FFr1.9bn issue

INTERNATIONAL BONDS

By Samer Iskandar and Edward Luce

Société Foncière Lyonnaise, France's oldest property company, yesterday started a two-week road-show for the launch of up to FFr1.9bn of securities – a combination of convertible bonds and new shares.

At least FFr1bn of convertible bonds will be offered to French and international investors. They will have a maturity of seven years and a coupon of between 3.75 and 4.25 per cent.

The conversion price for the bonds will be set at a premium of 10 to 15 per cent over the company's share price.

The deal, which is being arranged by SBC Warburg, will finance the recent acquisition of properties worth FFr2.8bn, including the massive Edouard VII development in the middle of Paris from Société Générale, the French bank, and a portfolio of five prime properties formerly owned by GAN, the insurance company.

A special tranche of convertible bonds, worth some FFr500m, will also be privately placed with SocGen.

SFL's main shareholders include Commercial Union, the insurance company, and Hermes, the UK pension fund manager. Each will sell a 5 per cent stake as part of the convertible bond arrangements.

BBV, one of Spain's leading banks, made its debut in French francs yesterday with a 12-year subordinated issue. The FFr1.5bn offering, priced to yield 43 basis points over the French curve, was the first Double-A rated issue in francs to carry a six per cent coupon since the Kingdom of Spain tapped the market last March.

An official at Morgan Stanley, the book-runner, said the offer attracted stronger demand from outside France than usual.

This was attributed to the fact that the French 10-year bond is trading flat to the German 10-year bund for the first time in over a year.

BBV opted for the 12-year maturity to give some extra value to yield-starved French investors.

In addition, the maturity provided a better swap rate than in 10 years for the borrower.

"We felt that BBV was a strong enough name to be able to make its bond debut with a subordinated offering," the official added.

The subordinated bond, the first fixed-rate 12-year offer in francs to be issued since February, was trading at its reoffer spread last night. Morgan Stanley said it had distributed most of the overseas portion to UK funds.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Pycsa Panama(a)	131	10.28#	100.00	Dec 2012	2.25	+425(6¼%-07)	CSFB
World Bank(b)	50	7.18	101.675	Oct 2007	2.00	-	Barclays de Zoete Wedd
■ FRENCH FRANCS							
BBV International Finance(i)	1.5bn	6.00	99.989R	Dec 2009	0.425R	+43(i)	Morgan Stanley
■ SWISS FRANCS							
Abbey Natl Trsy Services(c)	100	2.00	99.10	Aug 2001	1.75	-	Deutsche Morgan Grenfell
■ ITALIAN LIRE							
World Bank‡	150bn	(d)	98.375R	Oct 2007	0.25R	-	BCI
■ LUXEMBOURG FRANCS							
Cerabank Luxembourg	2bn	(e,s)	102.10	Oct 2004	1.875	-	BCEE/Cerabank Lux
■ NEW ZEALAND DOLLARS							
World Bank	100	8.75	100.365	Oct 1999	1.125	-	TD Securities

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupons. R: Fixed re-offer price; fees shown at re-offer level. a) Amortises from 15/6/99: 10.92-yr average life. b) $100m launched on 26/9/97 was increased to $150m. Callable annually from 15/10/98 at par. c) Fungible with SFr300m. Plus 90 days accrued. d) 10¼% to 31/10/99, then 16% −2 x 12-mth Libor. e) 4¾% to 15/10/00, then 5¾% to 15/10/02, then 6½%. i) Over interpolated yield. l) Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Oct 1	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	03/99	6.250	102.1052	4.73	+0.03	+0.06	−0.18	−2.06
	10/07	10.000	128.4888	6.12	+0.01	+0.01	−0.40	−1.65
Austria	09/99	7.000	104.9900	4.28	−0.02	+0.04	+0.10	+0.56
	07/07	5.625	100.8100	5.51	−0.06	−0.04	−0.20	−0.61
Belgium	04/99	7.000	104.3300	4.06	−0.08	−0.01	+0.04	+0.53
	03/07	6.250	105.0000	5.55	−0.06	−0.04	−0.23	−0.63
Canada	03/99	4.000	99.9500	4.03	−0.03	+0.02	−0.21	−0.92
	06/07	7.250	111.6000	5.65	−0.08	−0.04	−0.34	−1.40
Denmark	12/99	6.000	102.8300	4.60	−0.01	−0.01	+0.02	+0.22
	11/07	7.000	107.9200	5.93	−0.06	−0.13	−0.34	−0.94
Finland	01/99	11.000	108.4399	4.04	−0.03	−0.04	+0.13	+0.01
	04/06	7.250	110.7649	5.62	−0.07	−0.07	−0.34	−1.04
France	11/99	7.000	105.7200	4.10	−0.03	+0.03	+0.06	+0.04
	10/04	6.750	109.5000	5.11	−0.02	+0.02	−0.07	−0.51
	10/07	5.500	100.4000	5.45	−0.04	-	−0.14	−0.62
	10/25	6.000	98.8000	6.09	−0.04	−0.01	−0.22	−0.78
Germany	06/99	3.500	99.2400	3.96	−0.02	+0.03	+0.06	+0.43
	07/04	6.750	108.9700	5.14	−0.05	-	−0.15	−0.53
	07/07	6.000	103.8900	5.47	−0.05	−0.04	−0.20	−0.57
	07/27	6.500	105.2600	6.11	−0.06	−0.06	−0.26	−0.74
Ireland	04/99	6.250	101.2700	5.32	−0.08	−0.09	−0.52	−0.71
	08/06	8.000	114.0800	5.91	−0.07	−0.09	−0.47	−1.07
Italy	05/00	6.000	101.4400	5.40	+0.10	+0.15	−0.58	−2.28
	05/02	6.250	102.4400	5.64	+0.06	+0.14	−0.45	−2.34
	07/07	6.750	104.4000	6.14	+0.04	+0.09	−0.37	−2.40
	11/26	7.250	106.6500	6.73	+0.06	+0.10	−0.46	−2.16
Japan	06/99	4.600	107.3400	0.47	−0.02	+0.01	−0.04	−0.62
	12/02	4.800	117.3000	1.34	−0.08	−0.09	−0.17	−0.90
	09/05	3.000	108.4000	1.86	−0.08	−0.12	−0.19	−0.97
	03/17	3.500	111.8400	2.71	−0.07	−0.11	−0.16	−0.75
Netherlands	06/99	7.500	105.4000	4.11	−0.02	+0.03	+0.03	+0.61
	02/07	5.750	102.1600	5.44	−0.06	−0.03	−0.19	−0.46
New Zealand	02/00	6.500	99.3436	6.79	−0.04	+0.12	−0.49	−1.23
	11/06	8.000	109.2506	6.61	-	+0.04	−0.58	−1.43
Norway	01/99	9.000	105.9600	4.23	-	−0.13	−0.31	−1.39
	01/07	6.750	107.2500	5.72	−0.05	−0.09	−0.31	−1.16
Portugal	03/99	8.500	104.9039	4.91	-	−0.02	−0.39	−2.07
	02/07	6.625	105.1433	5.89	−0.05	−0.08	−0.47	−1.96
Spain	07/99	7.400	104.5482	4.71	-	−0.03	−0.34	−2.19
	03/07	7.350	110.8618	5.82	−0.05	−0.06	−0.47	−2.07
Sweden	01/99	11.000	107.5890	4.76	−0.02	-	−0.12	−1.00
	08/07	8.000	113.8230	6.09	−0.06	−0.15	−0.51	−1.43
Switzerland	03/99	4.000	103.2000	1.71	−0.04	+0.01	+0.09	−0.10
	06/07	4.500	108.1800	3.49	−0.05	−0.03	−0.06	−0.51
UK	08/99	6.000	98.4922	6.87	−0.03	+0.03	−0.16	+0.68
	11/04	6.750	102.2344	6.35	−0.08	−0.31	−0.69	−0.91
	12/07	7.250	106.7813	6.33	−0.11	−0.27	−0.71	−1.33
	06/21	8.000	118.8047	6.44	−0.10	−0.09	−0.52	−1.49
US	07/99	5.875	100.2110	5.75	−0.08	−0.05	−0.23	−0.28
	05/04	7.250	106.7270	6.00	−0.09	−0.02	−0.32	−0.38
	08/07	6.125	100.8130	6.01	−0.11	−0.03	−0.33	−0.63
	08/27	6.375	100.9820	6.30	−0.11	−0.03	−0.31	−0.57
ECU	03/99	5.000	100.6500	4.50	+0.02	+0.02	−0.05	+0.21
	04/07	5.500	98.7400	5.67	−0.04	−0.02	−0.28	−0.71

London closing. New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Oct 1	Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	6.12	+0.65	+0.10
Austria	5.51	+0.04	−0.51
Belgium	5.55	+0.08	−0.47
Canada	5.68	+0.21	−0.34
Denmark	5.93	+0.46	−0.09
Finland	5.62	+0.15	−0.40
France	5.45	−0.02	−0.57
Germany	5.47	-	−0.55
Ireland	5.91	+0.44	−0.11
Italy	6.14	+0.67	+0.12
Japan	1.86	−3.61	−4.16
Netherlands	5.44	−0.03	−0.58
New Zealand	6.61	+1.14	+0.59
Norway	5.72	+0.25	−0.30
Portugal	5.89	+0.42	−0.13
Spain	5.82	+0.35	−0.20
Sweden	6.09	+0.62	+0.07
Switzerland	3.49	−1.98	−2.53
UK	6.33	+0.86	+0.31
US	6.02	+0.55	-
ECU	5.67	+0.20	−0.35

Source: Interactive Data/FT Information
London closing. * New York closing.
Annualised yield basis.

EMERGING MARKET BONDS

Oct 1	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
■ EUROPE								
Croatia	02/02	7.000	BBB–	98.4759	7.41	−0.09	−0.16	+1.50
Poland	07/00	7.750	BBB–	103.2368	6.42	−0.08	−0.28	+0.63
Russia	11/01	9.250	BB–	103.9754	8.07	−0.16	−0.54	+2.22
■ LATIN AMERICA								
Argentina	01/17	11.375	BB	116.7974	9.44	−0.08	−0.04	+3.28
Brazil	11/01	8.875	BB–	103.5080	7.83	−0.06	−0.19	+1.98
Mexico	01/07	9.875	BB	108.2097	8.57	−0.08	−0.36	+2.55
■ ASIA								
China	07/06	7.750	BBB+	105.0006	6.96	−0.08	+0.06	+0.96
Philippines	10/16	8.750	BB+	100.6455	8.68	−0.07	−0.16	+2.53
Thailand	04/07	7.750	A–	99.8854	7.79	−0.09	+0.42	+1.77
■ AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB–	103.4067	7.71	−0.06	−0.06	+1.92
South Africa	12/99	9.625	BB+	105.7901	6.73	−0.06	−0.18	+0.99
Turkey	05/02	10.000	B	105.4686	8.54	−0.02	−0.20	+2.63
■ BRADY BONDS								
Argentina	03/23	5.500	BB	76.1712	8.20	−0.10	+1.84	+1.95
Brazil	04/24	6.250	BB–	73.9476	8.36	−0.21	+1.64	+2.10
Mexico	12/19	6.250	BB	83.6474	7.81	−0.08	−0.35	+1.82
Venezuela	03/20	6.750	B+	88.2758	7.87	−0.12	−0.70	+1.86

London closing. Prices in US$. Source: Interactive Data/FT Information.
Standard & Poor's ratings.

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	99.86	100.00	+0.26	100.02	99.76	100,633	132,422
Mar	99.22	99.38	+0.26	99.36	99.22	848	3,608
Jun	98.88	99.04	+0.26	98.88	98.88	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
97	-	3.06	-	0.01	0.07	0.47
98	2.04	2.15	2.08	0.05	0.16	0.72
99	1.15	1.35	1.44	0.15	0.35	1.06
100	0.46	0.71	0.92	0.46	0.71	-
101	0.12	0.31	0.54	1.12	1.30	-

Est. vol. total, Calls 7,468 Puts 7,899 . Previous day's open int., Calls 61,884 Puts 77,517 .

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	102.99	103.34	+0.38	103.44	102.92	209338	292406
Mar	102.38	102.58	+0.39	102.45	102.38	3174	5661

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
10300	0.65	0.90	0.72	1.05	0.31	0.56	1.14	1.47
10350	0.38	0.62	0.53	0.84	0.54	0.78	1.45	1.76
10400	0.19	0.42	0.37	0.67	0.85	1.08	1.79	2.09

Est. vol. total, Calls 26056 Puts 20080. Previous day's open int., Calls 154533 Puts 159171

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	104.16	104.22	+0.09	104.28	104.13	98,873	226,844
Mar	103.48	103.48	-	103.48	103.48	55	1,998

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	111.70	111.64	-0.32	111.97	111.03	104049	119269
Mar	111.41	111.59	-0.32	111.41	111.41	1	1325

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
11150	1.13	1.77	0.99	1.68
11200	0.87	1.51	1.23	1.92
11250	0.66	1.28	1.52	2.19

Est. vol. total, Calls 10810 Puts 7520. Previous day's open int., Calls 82262 Puts 69755

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	104.15	104.42	+0.38	104.45	104.06	131,428	83,312

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	119-18	120-09	+0-30	120-13	119-16	115979	174313
Mar	119-30	120-07	+0-30	119-30	119-30	1	28

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
120	0-63	1-21	1-35	2-02	0-45	1-03	1-21	1-52
121	0-34	0-55	1-05	1-34	1-16	1-37	1-55	2-20
122	0-17	0-35	0-47	1-08	1-63	2-17	2-33	2-58

Est. vol. total, Calls 5148 Puts 1904. Previous day's open int., Calls 44950 Puts 21618

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	98.40	98.64	+0.30	98.66	98.38	2,551	5,860

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	115-10	115-23	+0-14	115-25	115-10	429,697	612,310
Mar	115-06	115-10	+0.10	115-15	115-06	3,402	38,435
Jun	-	114-31	+0.11	-	-	2,000	2,220

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	129.40			129.46	129.33	2514	n/a
Mar	128.30			128.37	128.30	572	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

US CORPORATE BONDS

Sep 30	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ UTILITIES								
Pac Bell	07/02	7.25	AA–	103.5105	6.37	+0.01	−0.22	+0.38
NY Tel	08/25	7.00	A+	96.4729	7.29	+0.02	−0.19	+0.89
CWE	05/08	8.00	BBB	107.4071	6.99	+0.02	−0.20	+0.88
■ FINANCIALS								
GECC	05/07	8.75	AAA	115.1597	6.59	+0.02	−0.23	+0.48
Banc One	08/02	7.25	A+	103.2591	6.45	+0.02	−0.23	+0.46
US West	01/07	7.30	BBB+	102.4264	6.93	+0.08	−0.17	+0.82
■ INDUSTRIALS								
WMX Tech	04/99	6.25	A–	100.1471	6.14	+0.01	−0.10	+0.34
Wal Mart	05/02	6.75	AA	101.6939	6.31	+0.01	−0.24	+0.32
Dayton Hud	06/21	9.70	BBB+	125.7446	7.38	+0.07	−0.17	+0.98
■ AGENCIES								
FHLMC	04/07	7.14	N/A	105.2132	6.39	+0.02	−0.24	+0.28
SLMA	03/00	7.50	N/A	103.4836	5.94	-	−0.22	+0.08
FNMA	02/18	8.95	N/A	123.5658	6.79	+0.02	−0.19	+0.39
FFCB	06/06	8.95	N/A	117.0403	6.35	+0.02	−0.25	+0.24
■ HIGH YIELD								
Stone Cont	02/01	9.88	B	101.6250	0.00	-	-	-
AK Stl	12/01	9.13	BB–	105.6250	0.00	-	-	-
Pacalta	06/04	10.75	B–	104.2500	0.00	-	-	-

New York closing. Source: Interactive Data/FT Information.
Standard & Poor's ratings. Yields: semi-annual basis.

US INTEREST RATES

Latest — Treasury Bills and Bond Yields

Prime rate	8½	One month	-	Two year	5.77
Broker loan rate	7¼	Two month	-	Three year	5.84
Fed.funds	5⅝	Three month	5.10	Five year	5.98
Fed.funds at intervention	-	Six month	5.28	10-year	6.07
		One year	5.44	30-year	6.37

INTERNATIONAL BONDS

Oct 1	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
■ EURO DM								
EIB	02/07	5.750	AAA	101.6000	5.52	−0.04	−0.15	+0.05
Spain	01/07	5.750	AA	101.3500	5.56	−0.05	−0.18	+0.09
Philip Morris	03/04	5.375	A	99.2600	5.51	−0.03	−0.10	+0.37
ABN Amro	03/05	3.625	n/a	99.8614	5.43	−0.04	−0.16	+0.15
■ EURO FFR								
Austria	01/04	5.500	AAA	102.1600	5.09	−0.03	−0.04	−0.02
Abbey Nat	02/04	6.000	AA	104.3200	5.18	−0.02	−0.05	+0.07
Cred Foncier	02/04	9.125	A	119.2300	5.46	−0.06	−0.08	+0.35
Abbey Nat	09/06	4.510	AAr	101.7799	4.27	−0.04	−0.98	−1.07
■ EURO LIRA								
EIB	02/07	7.000	AAA	106.2600	6.10	+0.02	−0.44	−0.04
Abbey Nat	02/02	6.800	AA	104.1000	5.70	+0.07	−0.46	−0.06
Walt Disney	06/00	8.625	A	108.7500	5.64	+0.09	−0.55	+0.39
Abbey Nat	03/07	8.000	AAr	102.8920	7.19	+0.09	−0.59	+1.05
■ EURO £								
EIB	12/07	7.625	AAA	107.5360	6.58	−0.10	−0.71	+0.25
Dresdner Bk	12/07	7.750	AA	105.5137	6.97	−0.10	−0.69	+0.64
RBS	01/07	8.375	A+	108.1353	7.14	−0.11	−0.70	+0.81
Abbey Nat	02/02	7.400	AA	99.9706	6.45	−0.05	−0.62	+0.05
■ EURO $								
EIB	04/07	7.250	AAA	105.7350	6.42	−0.08	−0.30	+0.40
ABN Amro	08/07	7.125	AA–	103.0536	6.69	−0.05	−0.32	+0.67
Quebec	01/07	7.000	A+	102.3190	6.66	−0.05	−0.31	+0.64
Citicorp	02/04	5.781	A+	100.0933	5.75	−0.07	−0.08	−0.20
■ EURO C$								
Bayer L-Bk	08/04	9.500	AAA	120.9045	5.72	−0.04	−0.33	+0.08
Toronto	05/04	8.500	AA+	114.4798	5.80	−0.04	−0.25	+0.16
Bell Canada	07/99	10.625	A+	109.8271	4.70	−0.04	−0.38	−0.20
Deutsche Bk	09/02	5.875	AAA	102.1622	5.37	−0.04	−0.22	−0.06
■ EURO YEN								
World Bank	03/02	5.250	AAA	117.7500	1.15	−0.06	−0.15	-
Spain	03/02	5.750	AA	119.7000	1.19	−0.09	−0.23	+0.04
Cred Foncier	08/02	4.750	A	114.3070	1.65	−0.07	−0.13	+0.50
Italy	07/99	0.703	AA	100.6647	0.11	−0.02	−0.02	−0.36

London closing. Source: Interactive Data/FT Information
Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Wed Oct 1	Day's change %	Tue Sep 30	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	120.40	0.12	120.26	2.15	8.21
2 5-15 years (21)	160.02	0.64	159.00	3.25	8.12
3 Over 15 years (4)	189.93	1.10	187.87	3.06	9.77
4 Irredeemables (4)	228.43	0.82	226.58	3.72	9.50
5 All stocks (48)	151.97	0.55	151.14	2.83	8.62
Index-linked					
6 Up to 5 years (2)	209.94	0.27	209.38	0.85	5.22
7 Over 5 years (10)	209.58	0.78	207.96	1.50	4.70
8 All stocks (12)	208.53	0.73	207.03	1.43	4.72

	Low coupon yield Oct 1	Low Sep 30	Low Yr. ago	Medium coupon yield Oct 1	Medium Sep 30	Medium Yr. ago	High coupon yield Oct 1	High Sep 30	High Yr. ago
5 yrs	6.39	6.47	6.89	6.50	6.58	6.98	6.56	6.62	7.05
15 yrs	6.34	6.44	7.83	6.44	6.54	7.75	6.49	6.56	7.80
20 yrs	6.34	6.44	7.97	6.47	6.57	7.85	6.49	6.56	7.90
Irred.†	6.64	6.69	7.97						

	Inflation 5% Oct 1	Inflation 5% Sep 30	Inflation 5% Yr. ago	Inflation 10% Oct 1	Inflation 10% Sep 30	Inflation 10% Yr. ago
Up to 5 yrs	3.15	3.23	2.78	2.45	2.53	2.13
Over 5 yrs	3.26	3.32	3.44	3.05	3.11	3.25

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Oct 1	Sep 30	Sep 29	Sep 26	Sep 25	Yr ago	High*	Low*
Govt. Secs. (UK)	100.67	100.08	99.95	100.28	99.71	94.5	100.67	93.31
Fixed Interest	131.03	130.45	130.39	130.82	130.17	114.28	131.03	115.32

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. All Stocks, Over 15 yrs & Irreds recalculated to account for first interest payment on Treas 8% 2021. For further information please fax FTSE Intl 0171 448 1804.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Treas 6¾pc 1997‡‡	8.75	-	100	—	102½	100
Exch 15pc 1997	14.92	6.49	[illegible]	—	[illegible]	[illegible]
Treas 4¾pc 1998‡‡	4.01	6.77	[illegible]	[illegible]	[illegible]	[illegible]
Exch 9¾pc 1998	9.88	6.91	[illegible]	—	[illegible]	[illegible]
Treas 7¼pc 1998‡‡	7.24	6.98	[illegible]	[illegible]	[illegible]	[illegible]
Treas 15½pc '98‡‡	14.35	7.06	[illegible]	[illegible]	[illegible]	[illegible]
Exch 12pc 1998	11.41	7.07	[illegible]	[illegible]	[illegible]	[illegible]
Treas 9½pc 1999‡‡	9.23	7.05	[illegible]	[illegible]	[illegible]	[illegible]
Funding 3½pc 1999-4	3.89	5.24	[illegible]	[illegible]	[illegible]	[illegible]
Conv 9½pc 2004	8.09	6.35	[illegible]	[illegible]	[illegible]	[illegible]
Treas 6¾pc 2004‡‡	6.60	6.35	[illegible]	[illegible]	[illegible]	[illegible]
Conv 9½pc 2005	8.03	6.39	[illegible]	[illegible]	[illegible]	[illegible]
Exch 10½pc 2005	8.39	6.45	[illegible]	[illegible]	[illegible]	[illegible]
Treas 12½pc 2003-5	9.61	6.46	[illegible]	[illegible]	[illegible]	[illegible]
Treas 8½pc 2005‡‡	7.49	6.36	[illegible]	[illegible]	[illegible]	[illegible]
Conv 9¾pc 2006	7.94	6.43	[illegible]	[illegible]	[illegible]	[illegible]
Treas 7½pc 2006‡‡	6.96	6.38	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. [illegible]

تكامل الأعمال

CURRENCIES AND MONEY

Asian currencies plumb fresh depths

MARKETS REPORT

By Simon Kuper

The Malaysian ringgit and Indonesian rupiah plunged yesterday after Dr Mahathir Mohamad, Malaysia's prime minister, again suggested that currencies trading should be banned and signs emerged that earlier depreciations had begun hitting Asian economies.

The ringgit fell from M$3.19 against the US dollar late on Tuesday to a new all-time low of M$3.3625/75 in late trading after the London close yesterday. The Indonesian rupiah dropped from 3,215/25 to 3,410 against the dollar, while the Philippine central bank intervened to steady its peso. The Thai baht was fairly steady.

The yen fell only slightly after Japan's quarterly tankan survey of business conditions emerged even weaker than expected. The diffusion index for large manufacturers fell to +8, from +7 in June. But fears that the US would object to a sharp drop in the yen sustained the Japanese currency. It dropped Y0.2 against the dollar, closing in London at Y120.9.

Joe Prendergast, head of global foreign exchange research at Credit Suisse First Boston in London, said: "The ongoing tension between trade and weak growth in Japan keeps dollar/yen rangebound."

The dollar rose a pfennig against the D-Mark to DM1.776 after Edgar Meister, Bundesbank council member, was reported as saying he was unconcerned about the US currency's present level. Other Bundesbank officials have recently expressed worry about the dollar's strength. Yesterday's accommodative German repo tender also helped the dollar.

The Canadian dollar firmed 0.4 cents to C$1.379 against the US dollar after the Bank of Canada raised interest rates. The key bank rate rose 25 basis points to 3.75 per cent, while the central bank's target range for the overnight lending rate increased from 3.00-3.50 per cent to 3.25-3.75 per cent. The bank said the economy was "expanding rapidly and absorbing unused capacity". Carl Weinberg, chief economist at High Frequency Economics in New York, noted that there were no signs of inflation in Canada, but said: "This is the first of a series of moves aimed at slowing the economy."

■ Dr Mahathir now depreciates south east Asian currencies so easily that some people think he may be doing it on purpose. Yesterday he again mentioned a "need to regulate or outlaw currency trading", which some read as another hint of anti-market moves. One view is that Dr Mahathir says such things deliberately, in order to weaken the ringgit and thus shrink Malaysia's current account deficit. But he may simply believe what he says.

Coupled with his comments is the growing fear that the currency crisis of the last three months has begun to hurt south east Asian economies and cause inflation. The Thai consumer price index rose 7 per cent in the year to September, while on Tuesday Malaysia said its economic growth rate might drop to 6 per cent next year. Previous forecasts were for 8 per cent.

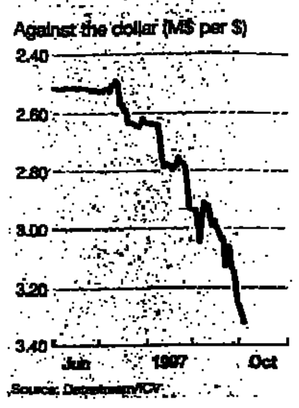
David Simmonds, emerging markets economist at Citibank in London, said local companies were unsure when the currencies' slide would end. They were therefore buying dollars now to avoid having to do so at a more expensive rate later. So the crisis feeds on itself.

■ The lira, strong for months, fell as Italy's government and its communist ally clashed over the budget. The Refoundation party has said it will not vote for the deficit-cutting budget, designed for entry into European monetary union.

The belief that Italy would join Emu has boosted the lira and Italian bonds, partly by raising hopes that interest rates would drop to the levels of the rest of Europe. Yesterday's news raised the prospect of Italy missing Emu. The lira dropped L2.8 to L979.8 against the D-Mark, while Eurolira futures contracts fell to reflect a rise in the expected rate level. In hectic trading, the December 1997 contract lost 16 points to price in rates of 6.25 per cent, unchanged from present levels.

Lorenzo Codogno, chief economist at Bank of America in Milan, said the government and the communists would probably compromise.

Malaysian dollar



■ **Pound in New York**

Oct 1	—Latest—	— Prev. close —
£ spot	1.6150	1.6185
1 mth	1.6130	1.6165
3 mth	1.6089	1.6125
1 yr	1.5917	1.5956

■ **OTHER CURRENCIES**

Oct 1	£	$
Czech Rp	52.9685 - 53.0989	32.8550 - 32.9030
Hungary	316.208 - 316.466	196.060 - 196.100
Iran	4841.40 - 4838.40	3000.00 - 3000.00
Kuwait	0.4906 - 0.4911	0.3042 - 0.3043
Poland	5.5271 - 5.5353	3.4270 - 3.4300
Russia	9459.07 - 9469.16	5865.00 - 5867.00
U.A.E.	5.9232 - 5.9276	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Oct 1		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.1589	+0.08	492 - 685	20.1730	19.9963	20.1045	3.2	19.9918	3.3	19.4863	3.3	102.4
Belgium	(BFr)	59.1033	+0.2316	607 - 458	59.1470	58.6090	58.9233	3.7	58.5533	3.7	56.8033	3.9	102.1
Denmark	(DKr)	10.9056	+0.0424	998 - 114	10.9123	10.8173	10.8741	3.5	10.8101	3.5	10.5186	3.5	104.1
Finland	(FM)	8.5776	+0.0379	706 - 846	8.5850	8.5060	8.5523	3.5	8.4998	3.6	8.2871	3.4	81.3
France	(FFr)	9.6217	+0.0388	171 - 263	9.6287	9.5348	9.5887	4.1	9.5317	3.7	9.2562	3.8	105.2
Germany	(DM)	2.8645	+0.0114	632 - 658	2.8667	2.8404	2.8552	3.9	2.8381	4.0	2.7492	4.0	103.1
Greece	(Dr)	452.397	+1.737	100 - 574	453.872	447.225	454.12	-4.7	456.744	-3.9	465.112	-2.8	65.1
Ireland	(I£)	1.1096	-0.0003	085 - 107	1.1126	1.1078	1.1091	0.5	1.1077	0.7	1.0966	1.1	96.8
Italy	(L)	2806.58	+18.95	498 - 817	2808.27	2779.29	2806.56	0.0	2806.62	0.0	2804.03	0.1	76.0
Luxembourg	(LFr)	59.1033	+0.2316	607 - 458	59.1470	58.6090	58.9233	3.7	58.5533	3.7	56.8033	3.9	102.1
Netherlands	(Fl)	3.2261	+0.0124	243 - 279	3.2285	3.1990	3.2159	3.8	3.195	3.9	3.099	3.9	101.5
Norway	(NKr)	11.5111	+0.0563	041 - 180	11.5190	11.3816	11.4786	3.4	11.4176	3.2	11.1486	3.1	99.7
Portugal	(Es)	291.927	+1.349	756 - 098	292.234	289.338	291.771	0.6	291.241	0.9	287.153	1.6	92.0
Spain	(Pta)	242.003	+1.034	888 - 118	242.220	239.890	241.688	1.6	240.938	1.8	236.568	2.2	77.0
Sweden	(SKr)	12.2618	+0.0131	539 - 696	12.2745	12.1530	12.2343	2.7	12.1758	2.8	11.9193	2.8	87.2
Switzerland	(SFr)	*2.3570*	*+0.011*	*555 - 584*	2.3593	2.3350	2.3461	5.6	2.3235	5.7	2.2233	5.7	106.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	100.6
Ecu	-	1.4611	+0.006	602 - 620	1.4625	1.4501	1.4578	2.7	1.4506	2.9	1.4166	3.0	-
SDR†	-	1.181650	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6130	-0.0021	125 - 135	1.6197	1.6105	-	-	-	-	-	-	-
Brazil	(R$)	1.7689	-0.0009	683 - 695	1.7754	1.7662	-	-	-	-	-	-	-
Canada	(C$)	2.2243	-0.0094	232 - 254	2.2373	2.2200	2.2174	3.7	2.2038	3.7	2.1529	3.2	85.1
Mexico	(New Peso)	12.5047	-0.0559	927 - 166	12.5874	12.4904	-	-	-	-	-	-	-
USA	($)	1.6133	-0.0021	128 - 138	1.6200	1.6108	1.6113	1.5	1.6071	1.5	1.5901	1.4	105.3
Pacific/Middle East/Africa													
Australia	(A$)	2.2166	-0.0142	151 - 180	2.2334	2.2068	2.213	2.0	2.2046	2.2	2.1677	2.2	92.0
Hong Kong	(HK$)	12.4826	-0.0182	779 - 873	12.5356	12.4636	12.4816	0.1	12.4751	0.2	12.4201	0.5	-
India	(Rs)	58.3692	-0.0599	269 - 115	58.5740	58.3250	58.5644	-4.0	58.965	-4.1	60.6447	-3.9	-
Israel	(Shk)	5.6546	+0.0053	474 - 617	5.6620	5.6429	-	-	-	-	-	-	-
Japan	(Y)	195.096	+0.069	968 - 205	196.410	194.590	194.076	6.3	192.051	6.2	183.066	6.2	127.1
Malaysia	(M$)	5.4312	+0.1948	238 - 385	5.5118	5.2423	5.4354	-0.9	5.4434	-0.9	5.4621	-0.6	-
New Zealand	(NZ$)	2.5108	-0.0131	086 - 129	2.5269	2.5032	2.514	-1.5	2.5178	-1.1	2.5184	-0.3	108.4
Philippines	(Peso)	55.7396	+0.2505	803 - 989	56.7002	55.4040	55.8985	-3.4	56.1489	-2.9	57.2059	-2.6	-
Saudi Arabia	(SR)	6.0509	-0.0077	486 - 532	6.0758	6.0415	6.0474	0.7	6.039	0.8	6.0025	0.8	-
Singapore	(S$)	2.4764	+0.0048	740 - 788	2.4971	2.4697	2.4718	2.3	2.4617	2.4	2.4135	2.5	-
South Africa	(R)	7.5950	+0.0032	302 - 397	7.5519	7.5098	7.5957	-9.7	7.7136	-9.5	8.1506	-8.2	-
South Korea	(Won)	1472.94	-4.26	926 - 663	1479.07	1468.85	-	-	-	-	-	-	-
Taiwan	(T$)	46.1428	-0.0569	277 - 579	46.3320	46.1207	46.1262	0.4	46.0864	0.5	45.8868	0.6	-
Thailand	(Bt)	58.9662	+0.3271	866 - 458	59.6090	57.9120	59.3028	-6.9	59.7644	-5.4	60.7946	-3.1	-

† Rates for Sep 30. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the Internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	12.4954	+0.0657	933 - 975	12.5000	12.3520	12.4714	2.3	12.4224	2.3	12.1984	2.4	102.2
Belgium	(BFr)	36.6350	+0.191	200 - 500	36.6560	36.2100	36.56	2.5	36.4085	2.5	35.715	2.5	102.2
Denmark	(DKr)	6.7598	+0.035	583 - 613	6.7617	6.6835	6.7481	2.1	6.7238	2.1	6.6174	2.1	103.6
Finland	(FM)	5.3168	+0.0304	141 - 195	5.3205	5.2560	5.3053	2.6	5.2816	2.6	5.1878	2.4	80.8
France	(FFr)	5.9640	+0.0318	630 - 650	5.9665	5.8910	5.9525	2.3	5.9287	2.4	5.8198	2.4	104.7
Germany	(DM)	1.7756	+0.0094	753 - 758	1.7767	1.7555	1.7718	2.6	1.764	2.6	1.729	2.6	102.8
Greece	(Dr)	280.380	+1.44	320 - 440	281.070	276.150	281.675	-5.5	283.73	-4.8	290.88	-3.7	64.9
Ireland	(I£)	1.4540	-0.0015	530 - 550	1.4615	1.4490	1.4532	0.6	1.4523	0.5	1.4527	0.1	-
Italy	(L)	1739.65	+14	920 - 010	1742.25	1716.09	1741.42	-1.2	1744.43	-1.1	1747.85	-0.5	76.0
Luxembourg	(LFr)	36.6350	+0.191	200 - 500	36.6700	36.2100	36.56	2.5	36.4085	2.5	35.715	2.5	102.2
Netherlands	(Fl)	1.9997	+0.0103	992 - 002	2.0006	1.9772	1.9954	2.6	1.9869	2.6	1.9492	2.5	101.4
Norway	(NKr)	7.1351	+0.0441	330 - 372	7.1394	7.0370	7.1207	2.4	7.0922	2.4	6.9805	2.2	99.3
Portugal	(Es)	180.950	+1.07	900 - 000	181.220	178.780	180.913	0.2	180.86	0.2	179.69	0.7	92.5
Spain	(Pta)	150.005	+0.835	980 - 030	150.060	148.200	149.96	0.4	149.785	0.6	148.61	0.9	76.7
Sweden	(SKr)	7.6004	+0.0179	979 - 029	7.6116	7.5282	7.5913	1.4	7.572	1.5	7.498	1.3	86.7
Switzerland	(SFr)	1.4610	+0.0067	605 - 614	1.4630	1.4439	1.4557	4.4	1.445	4.4	1.3995	4.2	106.2
UK	(£)	1.6133	-0.0021	128 - 138	1.6200	1.6108	1.6113	1.5	1.6071	1.5	1.5901	1.4	100.0
Ecu	-	1.1042	-0.006	038 - 045	1.1157	1.1033	1.1057	-1.6	1.1089	-1.7	1.1244	-1.8	-
SDR†	-	0.73249	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0965	+0.0009	964 - 965	1.0967	1.0961	-	-	-	-	-	-	-
Canada	(C$)	1.3788	-0.004	785 - 790	1.3822	1.3775	1.3757	2.7	1.37	2.6	1.3494	2.1	84.7
Mexico	(New Peso)	7.7510	-0.0245	460 - 560	7.7570	7.7430	7.8595	-16.8	8.0705	-16.5	8.981	-15.9	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	105.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3739	-0.007	734 - 744	1.3786	1.3700	1.3733	0.5	1.3715	0.7	1.3631	0.8	92.9
Hong Kong	(HK$)	7.7373	-0.0012	368 - 378	7.7385	7.7350	7.7378	-0.1	7.7387	-0.1	7.741	0.0	-
India	(Rs)	36.1800	+0.01	650 - 950	36.2170	36.1520	36.3175	-4.6	36.6025	-4.7	37.815	-4.5	-
Israel	(Shk)	3.5050	+0.0078	016 - 083	3.5130	3.4982	-	-	-	-	-	-	-
Japan	(Y)	120.930	+0.2	900 - 960	121.400	120.350	120.415	5.1	119.415	5.0	115.115	4.8	128.3
Malaysia	(M$)	3.3665	+0.125	630 - 700	3.4080	3.2450	3.371	-1.6	3.38	-1.6	3.41	-1.3	-
New Zealand	(NZ$)	1.5563	-0.0061	555 - 571	1.5580	1.5480	1.5571	-0.6	1.5595	-0.8	1.5696	-0.9	-
Philippines	(Peso)	34.5500	+0.2	000 - 000	35.2000	34.2000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	+0.0002	504 - 509	3.7515	3.7500	3.7514	-0.2	3.7524	-0.2	3.7571	-0.2	-
Singapore	(S$)	1.5350	+0.005	340 - 360	1.5440	1.5290	1.5333	1.4	1.5294	1.4	1.51	1.6	-
South Africa	(R)	4.6705	+0.008	690 - 720	4.6725	4.6535	4.711	-10.4	4.7905	-10.3	5.093	-9.0	-
South Korea	(Won)	913.000	-1.45	000 - 000	915.300	910.500	-	-	-	-	-	-	-
Taiwan	(T$)	28.6015	+0.002	010 - 020	28.6040	28.5980	28.6125	-0.5	28.6215	-0.3	28.714	-0.4	-
Thailand	(Bt)	36.5500	+0.25	500 - 500	36.8500	35.8500	36.995	-14.6	37.7	-12.6	38.93	-6.5	-

† SDR rate per $ for Sep 30. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 30: Base average 1990=100.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

October 1	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3 5/16	3 19/32	3 21/32	3 23/32	3 7/8	6.00	2.50	-
France	3 1/8	3 3/16	3 5/16	3 1/2	3 3/4	3.10	-	4.75
Germany	3 1/8	3 1/4	3 11/32	3 1/2	3 23/32	4.50	2.50	3.00
Ireland	6 1/4	6 5/16	6 1/4	6 1/8	5 5/8	-	-	6.75
Italy	6 21/32	6 9/16	6 1/2	6 5/16	5 29/32	7.75	6.25	6.02
Netherlands	3 3/8	3 1/4	3 9/32	3 7/16	3 19/32	-	2.50	3.00
Switzerland	1 7/8	1 1/4	1 3/8	1 19/32	1 27/32	-	1.00	-
US	5 3/8	5 5/8	5 21/32	5 23/32	5 13/16	-	5.00	-
Japan	5/16	5/32	1/2	1/2	1/2	-	0.50	-
■ **$ LIBOR FT London**								
Interbank Fixing	-	5 21/32	5 23/32	5 27/32	6	-	-	-
US Dollar CDs	-	5.44	5.49	5.56	5.71	-	-	-
ECU Linked Ds	-	4 3/8	4 3/8	4 13/32	4 7/16	-	-	-
SDR Linked Ds	-	3 5/8	3 23/32	3 3/4	3 7/8	-	-	-

$ LIBOR Interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 1	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 1/2 - 3 3/8	3 11/16 - 3 5/8	3 11/16 - 3 9/16	3 11/16 - 3 9/16	3 3/4 - 3 5/8	3 31/32 - 3 27/32
Danish Krone	3 1/2 - 3 3/8	3 19/32 - 3 15/32	3 5/8 - 3 1/2	3 3/4 - 3 5/8	3 29/32 - 3 13/16	4 7/32 - 4 3/32
German Mark	3 1/8 - 3	3 3/32 - 3 1/32	3 3/16 - 3 1/8	3 7/16 - 3 5/16	3 7/16 - 3 7/16	3 23/32 - 3 21/32
Dutch Guilder	3 1/8 - 3 1/16	3 1/4 - 3 5/32	3 3/32 - 3 3/32	3 13/32 - 3 3/8	3 5/8 - 3 1/2	3 13/16 - 3 11/16
French Franc	3 3/16 - 3 1/8	3 3/16 - 3 3/32	3 5/16 - 3 7/32	3 13/32 - 3 5/16	3 17/32 - 3 7/16	3 13/16 - 3 11/16
Portuguese Esc.	5 7/16 - 5 13/32	5 7/16 - 5 11/32	5 13/32 - 5 3/8	5 7/32 - 5 5/32	5 3/32 - 4 31/32	4 15/16 - 4 27/32
Spanish Peseta	5 13/32 - 5 5/16	5 5/16 - 5 7/32	5 1/4 - 5 3/32	5 3/16 - 5 1/16	5 1/32 - 5	4 29/32 - 4 27/32
Sterling	7 3/16 - 7 1/16	7 3/32 - 7	7 7/32 - 7 3/32	7 3/8 - 7 1/8	7 1/2 - 7 3/8	7 5/8 - 7 3/8
Swiss Franc	1 11/16 - 1 3/16	1 5/16 - 1 3/16	1 7/16 - 1 3/8	1 19/32 - 1 7/16	1 23/32 - 1 19/32	1 29/32 - 1 25/32
Canadian Dollar	3 5/8 - 3 7/16	3 9/16 - 3 7/16	3 5/8 - 3 1/2	3 3/4 - 3 5/8	4 - 3 7/8	4 13/32 - 4 9/32
US Dollar	6 1/2 - 6 3/8	5 23/32 - 5 19/32	5 5/8 - 5 1/2	5 23/32 - 5 21/32	5 13/16 - 5 3/4	5 31/32 - 5 15/16
Italian Lira	7 - 6 1/2	6 27/32 - 6 23/32	6 23/32 - 6 21/32	6 5/8 - 6 17/32	6 7/16 - 6 11/32	5 15/16 - 5 27/32
Japanese Yen	9/16 - 7/16	9/16 - 7/16	17/32 - 13/32	9/16 - 7/16	9/16 - 7/16	9/16 - 7/16
Asian $Sing	1 7/8 - 1 3/4	3 1/4 - 3 1/8	3 3/4 - 3 5/8	3 7/8 - 3 3/4	4 - 3 7/8	4 1/8 - 4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.42	96.41	+0.01	96.42	96.39	9,997	38,423
Mar	96.19	96.18	+0.01	96.19	96.16	9,600	34,429
Jun	95.94	95.95	+0.01	95.96	95.93	4,595	28,024

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.42	96.43	+0.01	96.43	96.41	43089	300488
Mar	96.19	96.20	+0.01	96.20	96.18	38423	289600
Jun	95.96	95.96	+0.01	95.96	95.93	40228	252342
Sep	95.77	95.78	+0.01	95.79	95.76	19720	187333

■ **ONE MONTH EUROMARK FUTURES** (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Oct		96.75	+0.01			0	400
Nov		96.65	+0.01			0	60
Dec	96.42	96.42	+0.01	96.42	96.42	50	730
Jan		96.53	+0.01			0	150

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.87	93.75	-0.15	93.88	93.66	47741	100436
Mar	94.62	94.54	-0.11	94.62	94.45	40623	97534
Jun	95.02	94.98	-0.09	95.05	94.87	42686	81468
Sep	95.06	95.08	-0.09	95.15	95.00	15634	54601

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.23	98.22	-0.01	98.25	98.18	7922	74123
Mar	98.06	98.06	+0.01	98.07	98.02	3696	38277
Jun	97.82	97.83	+0.02	97.84	97.79	1465	25467
Sep	97.64	97.64	+0.02	97.65	97.62	1590	12314

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		99.46	+0.03			0	n/a
Mar	99.45	99.44	+0.03	99.45	99.45	1	n/a
Jun		99.40	+0.05			0	n/a

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.58	95.57	-	95.59	95.56	1284	12004
Mar	95.53	95.53	-	95.54	95.52	592	6580
Jun	95.45	95.45	-	95.46	95.44	802	4560
Sep	95.41	95.41	-	95.41	95.40	162	5284

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9375	0.18	0.84	1.27	0.18	0.05	0.04
9400	0.06	0.63	1.05	0.33	0.09	0.07
9425	0.02	0.45	0.84	0.52	0.16	0.11

Est. vol. total, Calls 34450 Puts 14027. Previous day's open int., Calls 170005 Puts 65895

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 1		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.28	4.847	1.877	4749	5.458	19.48	493.9	409.5	20.75	3.988	1.692	3.764	2.730	330.1	2.472
Denmark	(DKr)	54.20	10	8.823	2.627	1.017	2574	2.958	10.56	267.7	221.9	11.24	2.161	0.917	2.040	1.479	178.9	1.340
France	(FFr)	61.43	11.33	10	2.977	1.153	2917	3.353	11.96	303.4	251.5	12.74	2.450	1.039	2.312	1.677	202.8	1.519
Germany	(DM)	20.63	3.807	3.359	1	0.387	979.8	1.126	4.018	101.9	84.48	4.280	0.823	0.349	0.777	0.563	68.11	0.510
Ireland	(I£)	53.27	9.829	8.672	2.582	1	2529	2.908	10.37	263.1	218.1	11.05	2.124	0.901	2.005	1.454	175.8	1.317
Italy	(L)	2.106	0.389	0.343	0.102	0.040	100	0.115	0.410	10.40	8.623	0.437	0.084	0.036	0.079	0.057	6.951	0.052
Netherlands	(Fl)	18.32	3.380	2.982	0.888	0.344	870.0	1	3.568	90.49	75.01	3.801	0.731	0.310	0.690	0.500	60.47	0.453
Norway	(NKr)	51.34	9.474	8.359	2.489	0.964	2438	2.803	10	253.6	210.2	10.65	2.048	0.869	1.932	1.402	169.5	1.269
Portugal	(Es)	20.25	3.736	3.296	0.981	0.380	961.4	1.105	3.943	100	82.90	4.200	0.807	0.343	0.762	0.553	66.83	0.500
Spain	(Pta)	24.42	4.508	3.976	1.184	0.458	1160	1.333	4.757	120.6	100	5.067	0.974	0.413	0.919	0.667	80.62	0.604
Sweden	(SKr)	48.20	8.894	7.847	2.336	0.905	2289	2.631	9.388	238.1	197.4	10	1.922	0.816	1.814	1.316	159.1	1.192
Switzerland	(SFr)	25.08	4.627	4.082	1.215	0.471	1191	1.369	4.884	123.9	102.7	5.202	1	0.424	0.944	0.684	82.77	0.620
UK	(£)	59.10	10.91	9.622	2.865	1.110	2807	3.226	11.51	291.9	242.0	12.26	2.357	1	2.224	1.613	195.1	1.461
Canada	(C$)	26.57	4.903	4.326	1.288	0.499	1262	1.450	5.175	131.2	108.8	5.512	1.060	0.450	1	0.725	87.71	0.657
USA	($)	36.64	6.760	5.964	1.776	0.688	1740	2.000	7.135	181.0	150.0	7.600	1.461	0.620	1.379	1	120.9	0.906
Japan	(Y)	30.29	5.590	4.932	1.468	0.569	1439	1.654	5.900	149.6	124.0	6.285	1.208	0.513	1.140	0.827	100	0.749
Ecu	-	40.45	7.464	6.585	1.961	0.759	1921	2.208	7.879	199.8	165.6	8.392	1.613	0.684	1.522	1.104	133.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.5703	0.5664	-0.0041	0.5725	0.5657	14,717	56,072
Mar	-	0.5690	-0.0046	-	0.5690	46	2,337
Jun	-	0.5730	-0.0036	-	0.5730	2	2,511

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8392	0.8362	-0.0030	0.8404	0.8328	23,074	76,609
Mar	-	0.8476	-0.0028	-	0.8476	40	805
Jun	-	0.8618	-	-	-	112	165

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6955	0.6922	-0.0034	0.6969	0.6911	4,830	35,536
Mar	0.6980	0.6975	-0.0050	0.6980	0.6975	60	1,470
Jun	-	0.7092	-	-	-	86	259

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6118	1.6074	-0.0040	1.6148	1.6058	3,220	27,776
Mar	1.6040	1.6000	-0.0050	1.6050	1.5990	1	235
Jun	-	1.5930	-0.0058	-	1.5930	52	27

UK INTEREST RATES

LONDON MONEY RATES

Oct 1	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 3/16 - 6 1/2	7 1/8 - 7	7 1/8 - 7	7 3/8 - 7 1/4	7 7/16 - 7 3/8	7 5/8 - 7 1/2
Sterling CDs	-	-	7 1/16 - 7	7 1/4 - 7 1/8	7 3/8 - 7 1/4	7 15/32 - 7 13/32
Treasury Bills	-	-	6 27/32 - 6 25/32	7 - 6 15/16	-	-
Bank Bills	-	-	7 - 6 7/8	7 1/8 - 6 31/32	7 3/8 - 7 1/4	-
Local authority deps.	6 7/8 - 6 3/4	7 - 6 7/8	7 1/16 - 7	7 3/16 - 7 1/8	7 7/16 - 7 5/16	7 13/16 - 7 9/16
Discount Market deps	6 15/16 - 6 13/16	7 - 6 7/8	-	-	-	-

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2 1/2	5 1/2	5	5	4 3/4

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/2pc.
Ave. tender rate of discount on Sep 26, 6.8862pc. ECGD fixed rate Stlg. Export Finance. Make up day Sep 30, 1997. Agreed rate for period Oct 26, 1997 to Nov 25, 1997, Scheme III 8.54pc. Reference rate for period Aug 30, 1997 to Sep 30, 1997, Schemes IV & V 7.294pc. Finance House Base Rate 7 1/2pc from Sep 1, 1997

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.58	92.59	+0.01	92.59	92.57	9890	124483
Mar	92.53	92.56	+0.03	92.57	92.51	15674	103984
Jun	92.57	92.58	+0.03	92.59	92.53	11817	87522
Sep	92.70	92.71	+0.02	92.71	92.67	9692	70092
Dec	92.89	92.89	+0.01	92.90	92.85	10462	58617

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9250	0.13	0.19	0.30	0.04	0.13	0.22
9275	0.02	0.08	0.17	0.18	0.27	0.34
9300	0	0.03	0.09	0.41	0.47	0.51

Est. vol. total, Calls 892 Puts 2545. Previous day's open int., Calls 198842 Puts 208018

EMS EUROPEAN CURRENCY UNIT RATES

Oct 1	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.763850	-0.001099	-4.36	6.93	29
Finland	5.85424	5.88552	+0.00209	0.53	1.72	-4
Italy	1906.48	1927.98	+6.48	1.13	1.12	-8
Spain	163.826	166.096	+0.036	1.39	0.86	-10
Portugal	197.398	200.488	+0.235	1.56	0.69	-11
Denmark	7.34555	7.48505	-0.00265	1.90	0.36	-13
Netherlands	2.16979	2.21447	-0.00018	2.06	0.20	-15
Germany	1.92573	1.96610	-0.00002	2.10	0.16	-21
Austria	13.5485	13.8380	-0.0008	2.12	0.14	-16
Belgium	39.7191	40.5716	-0.0028	2.15	0.11	-16
France	6.45863	6.60476	+0.00122	2.26	0.00	-19
NON ERM MEMBERS						
Greece	295.269	310.688	-0.04	5.22	-2.81	-
UK	0.793103	0.686094	-0.001497	-13.24	17.87	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
1.600	1.89	2.64	3.08	0.52	1.54	2.15
1.610	1.25	2.14	2.55	0.88	1.99	2.58
1.620	0.74	1.67	2.14	1.43	2.51	3.13

Previous day's vol., Calls 83 Puts 17. Prev. day's open int., Calls 25,116 Puts 23,169

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
0.560	0.91	1.33	1.60	0.15	0.45	0.67
0.565	0.56	1.02	1.30	0.28	0.63	0.80
0.570	0.31	0.77	1.03	0.52	0.85	1.04

Previous day's vol., Calls 188 Puts 1,831. Prev. day's open int., Calls 10,798 Puts 30,776

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.18	94.18	+0.01	94.18	94.17	104,741	596,162
Mar	94.11	94.12	+0.02	94.13	94.09	120,318	417,117
Jun	94.02	94.03	+0.02	94.04	94.02	51,030	310,580

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	95.00	95.00	+0.02	95.01	94.97	294	4,860
Mar	-	94.99	+0.02	94.99	94.97	201	3,363

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
9600	0.43	0.43	0.44	0.28	0	0	0.01	0.08
9625	0.19	0.20	0.21	0.13	0.01	0.02	0.03	0.18
9650	0.01	0.02	0.04	0.04	0.08	0.09	0.11	0.34
9675	0	0	0.01	0.01	0.32	0.32	0.33	0.56
9700	0	0	0	0	0.57	0.57	0.57	0.80

Est. vol. total, Calls 11658 Puts 16768. Previous day's open int., Calls 253041 Puts 281134

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9825	0.15	0.16	0.17	0.18	0.35	0.59
9850	0.05	0.07	0.09	0.33	0.51	0.76

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 3025 Puts 2718

BASE LENDING RATES

	%		%		%
Adam & Company	7.00	Duncan Lawrie	7.00	Scottish Widows Bank	7.00
Allied Irish Bank (GB)	7.00	Exeter Bank Limited	8.00	●Singer & Friedlander	7.00
●Henry Ansbacher	7.00	Financial & Gen Bank	8.00	●Smith & Williamson Secs	7.00
Bank of Baroda	7.00	●Robert Fleming & Co	7.00	Sun Banking Corp Ltd	7.00
Banco Bilbao Vizcaya	7.00	●Guinness Mahon	7.00	TSB	7.00
Bank of Cyprus	7.00	*Habib Bank AG Zurich*	7.00	United Bank of Kuwait	7.00
Bank of Ireland	7.00	●Hambros Bank	7.00	Unity Trust Bank Plc	7.00
Bank of India	7.00	Heritable & Gen Inv Bk	7.00	Whiteaway Laidlaw	7.00
Bank of Scotland	7.00	C. Hoare & Co	7.00	Yorkshire Bank	7.00
Barclays Bank	7.00	Hongkong & Shanghai	7.00		
Brit Bk of Mid East	7.00	Investec Bank (UK) Ltd	7.00		
●Brown Shipley & Co Ltd	7.00	Julian Hodge Bank	7.00		
Citibank NA	7.00	●Leopold Joseph & Sons	7.00		
Clydesdale Bank	7.00	Lloyds Bank	7.00		
The Co-operative Bank	7.00	Midland Bank	7.00		
Coutts & Co	7.00	NatWestminster	7.00		
Cyprus Popular Bank	7.00	●Rea Brothers	7.00		
		Royal Bk of Scotland	7.00		

● Members of London Investment Banking Association
* In administration

CONTRACTS & TENDERS

INVITATION FOR TENDER

The Ministry of Defence of the Russian Federation invites all the interested companies to the open tender for the sale of "KIEV" aircraft carrier for scrapping, LDT 25500 m.t., Delivery: FCA port Murmansk.

Participation forms and instructions may be obtained at the Central Department of Material Resources and Foreign Economic Relations of the MOD of Russia by fax: (7-095) 924-53-60. Contact phones (7-095) 293-79-46, 244-51-65.

Completed applications for participation in the preliminary selection of participants are accepted until 6 pm (Moscow time) at:

CDMR & FER MOD RF,
14 Kholzunov per,
Moscow, Russia, 103160

CONTRACTS & TENDERS

Georgia received a credit no 2809-GE from the International Development Association towards the cost of *Transport Rehabilitation Project.* Parts of this credit will be applied to payments under the contract for the *supply of 2,300 tonnes of road bitumen ГОСТ 22245-76 БНД 60/90 or БНД 40/60 or equivalent to the State Department of Roads (SDOR)* which invites sealed bids from bidders. The documents may be purchased by submission of a written application upon payment of a non-refundable fee of *USD 200* to: the office of *SDOR, 29a Gagarin Street, Tbilisi 380060 Georgia* attn. *Mr. Jaba Shubitidze Tel: +(995 32) 37 65 06, Tel/Fax: +(995 32) 93 55 52, 94 37 08.* Bids must be delivered to the above office on or before *12.00 on October 29, 1997* and must be accompanied by a security of *2% of bid amount.* Bids will be opened in the presence of bidders' representatives at *12.00 on October 29, 1997,* at *SDOR* office.

COMMODITIES AND AGRICULTURE

Bank of Nova Scotia to acquire Mocatta

By Kenneth Gooding, Mining Correspondent

Bank of Nova Scotia is to acquire the Mocatta Group to form the biggest force in the global gold and silver bullion and base metals markets.

The combined group, Scotia-Mocatta, will have offices in seven countries and nearly 3,000 clients in 65 countries. Its "book" – the notional value of forwards contracts and options – will be worth about US$70bn.

Nigel Dentoom, Mocatta chief executive, said that, even as the merger was being completed Scotia-Mocatta was "in an acquisitive mode". Negotiations that might lead to an acquisition were already in train.

Mocatta, established in 1671 and the oldest and one of the biggest metals trading groups, is to be sold by Standard Chartered, which is concentrating on retail and corporate banking.

No price was revealed but analysts suggest it was about £10m, resulting in a disposal loss of £30m. Standard said the sale would free about £24m of capital.

Mr Dentoom said Mocatta had talked to several potential buyers, looking for one with a bigger balance sheet and a significant mining finance portfolio wanting to expand commodities operations. Negotiations with Bank of Nova Scotia, the fourth largest Canadian bank but the most international, had taken six months.

Subject to regulatory approval, Scotia Capital Markets, the bank's investment division, will retain Mocatta's "prestigious standing" as one of only five members of the London gold "fix"; one of three London silver "fixing" members; and one of the 15 members of the London Metal Exchange.

Mr Dentoom dismissed suggestions that Mocatta might give up its LME ring membership. "With our portfolio of trade clients it is vital that we are ring dealing members," he said. "About 65 per cent of our base metals business is across the ring."

Bank of Nova Scotia would take advantage of changes in LME rules this month that permitted overseas organisations directly to become ring dealing members.

He recalled that Mocatta's base and precious metals operations were merged last October and said all parts of the business were "substantially profitable", but he would give no details.

Larry Scott, managing director of Scotia Capital Markets, said Mocatta was "pretty much a perfect fit" with the bank's existing metals operations. All Mocatta's 175 employees would be offered contracts with the merged group, which would have a staff of 250.

Mocatta's strong international industrial consumer base would complement Scotia Capital's solid bullion relationships with mining companies, said Mr Scott. Combining Scotia's presence in North American base metals markets with Mocatta's worldwide base metals operations would establish the new entity as a "global, full-service metals dealer".

FAO to monitor effects of El Niño

By Maggie Urry

The El Niño weather pattern is giving "cause for concern" over food supplies in many Asian and Pacific Rim countries, according to the Food and Agriculture Organisation of the UN.

The FAO said it would closely monitor the situation over the next few months and take preventive action.

The latest El Niño – a periodic warming of the tropical Pacific Ocean by a few degrees that reverberates globally – has been developing since March.

The anomaly occurs every two to seven years, but the current occurrence is widely predicted to be one of the most intense this century, with the most serious effects expected over the next few months.

Worst affected is North Korea, where two years of food shortages have been followed by prolonged drought between June and August. Difficulties in planting will also affect next year's crop.

The FAO said that "even under the *most optimistic* scenario", domestic cereal production would "cover less than half the country's minimum food needs" and economic difficulties would limit imports.

In Papua New Guinea, the report found, the most serious drought for 50 years had led to a state of emergency being declared over food shortages. Large numbers of highlanders were deserting villages in search of food.

Indonesia had experienced its worst drought for half a century, the FAO said, with forest fires exacerbating the water shortage.

Mongolia is predicted to need emergency food assistance, while flooding in Burma could cause localised food shortages.

LME zinc squeeze eases

MARKETS REPORT

By Kenneth Gooding and Susanna Voyle

The zinc squeeze on the London Metal Exchange eased again yesterday but analysts said it might not yet be over. Meanwhile, there was evidence of renewed supply tightness in the aluminium market.

The premium for zinc for immediate delivery over three-month metal fell from $60-$70 a tonne on Tuesday to $10-20. Last week the premium was more than $200. However, Robin Bhar, analyst at Brandeis (Brokers), said: "Just because the spread [premium] has come in, does not mean it's all over." Tightness of nearby supply was still looming in November and December.

According to Alan Williamson, analyst at Deutsche Morgan Grenfell, present stock levels justified a three-month zinc price of $1,322-$1,433 a tonne, compared with last night's close of $1,365. By the end of 1998, however, stocks would be at critical levels and prices above $1,653 would be justified.

Three-month aluminium prices moved up by $32 to $1,676 a tonne and a premium for metal for immediate delivery developed, of $5-$8 a tonne.

Responding to calls for more transparency, the LME yesterday added more information to its stock reports, giving details of cancelled warrants or stock reported in the daily total but not available to the market because it is shortly to be removed from warehouses.

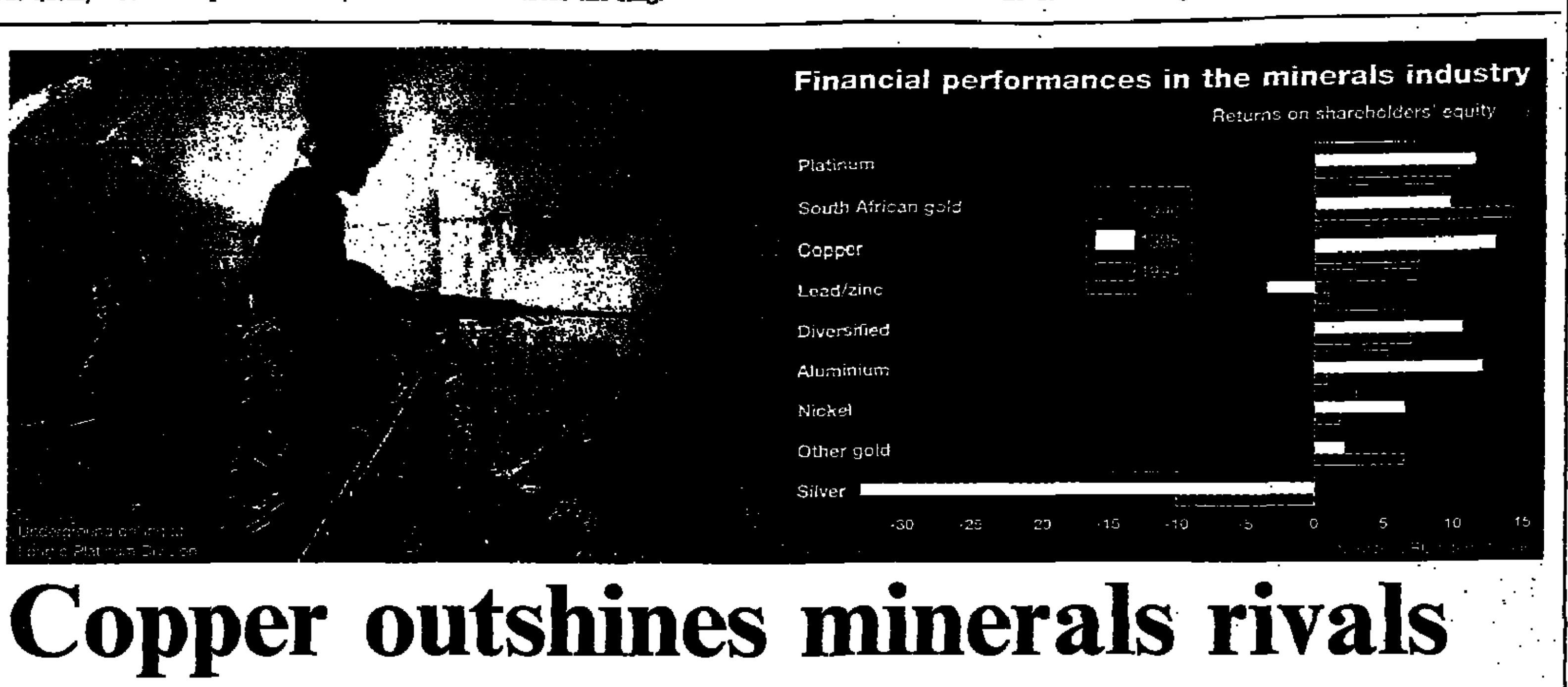
An analysis by Reuters showed that more than 13 per cent of tin stocks in LME authorised warehouses were not available – 1,510 tonnes out of 11,390 tonnes had cancelled warrants.

In spite of recent allegations of manipulation of exchange stocks, particularly aluminium, cancelled warrants made up a very small proportion of other metal stocks.

Gold's price neared $340 an ounce yesterday but profit-taking and selling by producers, particularly in Australia, cut its gains. In London gold closed at $337.85 an ounce, up $3.40.

Coffee prices in London were fuelled by arbitrage buying and local traders covering "short" positions – taken in the expectation that the price would fall.

The November contract on Liffe ended $35 a tonne higher at $1,640, the highest since early September.



Copper outshines minerals rivals

By Kenneth Gooding

Copper producers and South African gold mining groups put up the best overall financial performances in the minerals industry last year.

Silver producers and Australian and North American gold companies were the worst performers, according to the annual financial review of the minerals industry by the CRU International consultancy.

The review assesses the mineral industry's financial performance and sets it in a medium and long-term context by presenting the statistics in a way that mimics an annual report from one of the larger mining companies.

In 1995 copper producers ranked first among the metals sectors, whatever financial criteria were used. The copper industry failed to maintain this ranking last year but generally moved down no further than to second place.

Cuts in unit production costs enabled copper producers to maintain their high profitability even in the face of the sharpest price fall for any metal last year, one of 22 per cent from the 1995 level.

South African gold producers had higher operating and pre-tax profit margins than copper producers in 1996, while South African platinum producers had higher financial returns.

Nevertheless, copper was still a better business to be in than the aluminium, lead/zinc, nickel or silver sectors, while copper companies were also more profitable than diversified suppliers and than non-South African gold mining companies.

CRU says lower average metal prices last year cut into profitability of both base and precious metals producers.

Other key financial ratios also fell to or below their 1994 levels.

Although prices of base metals dropped more on average than those of precious metals last year, producers of precious metal did "considerably worse" than in 1994, says CRU, while the performance of base metal producers remained somewhat stronger.

"Rising costs in the precious metal sector have added to falling prices and exacerbated the downward pressure on profitability. Nowhere is this more apparent than among North American and Australian gold producers, which last year slipped into a loss at the bottom line," the review adds.

Its aggregate "profit and loss account" showed non-South African gold companies reporting a net $1m loss last year compared with a $278m net profit in 1995 and a profit of $732m in 1994.

CRU says that only nine of the 23 non-South African gold companies it monitors have improved their financial performance since 1993.

In contrast, by maintaining its profitability at 1995 levels, the South African gold group improved its comparative position last year.

Looking at aggregate balance sheets, CRU says that, unlike the 1980s, the minerals industry's debt was kept under control during the last market downturn and, although the total has risen recently, shareholders' equity has increased enough to keep gearing under control.

World Minerals Industry Financial Review. CRU International, 31 Mount Pleasant, London WC1X 0AD, England. £550.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1681.5-2.5	1673.5-4.0
Previous	1638.5-39.5	1641.5-42.5
High/low		1677/1646
AM Official	1666-7	1662-3
Kerb close		1675-6
Open int.	252,611	
Total daily turnover	111,866	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1453-8	1483-5
Previous	1425-30	1455-57
High/low	1440	1485/1472
AM Official	1440-45	1470-72
Kerb close		1480-90
Open int.	5,366	
Total daily turnover	503	

■ LEAD ($ per tonne)

Close	642-4	648-50
Previous	640.5-41.5	645-46
High/low	644	650/643
AM Official	644-4.5	648-8.5
Kerb close		647-8
Open int.	31,423	
Total daily turnover	11,885	

■ NICKEL ($ per tonne)

Close	6785-95	6890-95
Previous	6770-80	6860-70
High/low		6930/6845
AM Official	6760-90	6885-95
Kerb close		6925-30
Open int.	52,014	
Total daily turnover	23,472	

■ TIN ($ per tonne)

Close	5625-35	5670-80
Previous	5635-40	5675-80
High/low		5730/5620
AM Official	5605-10	5650-55
Kerb close		5710-30
Open int.	16,450	
Total daily turnover	7,000	

■ ZINC, special high grade ($ per tonne)

Close	1360-62	1352-3
Previous	1435-36	1357-58
High/low	1355/1348	1375/1330
AM Official	1355-56	1335-6
Kerb close		1359-60
Open int.	82,784	
Total daily turnover	70,931	

■ COPPER, grade A ($ per tonne)

Close	2092-3	2116-7
Previous	2133-34	2153-54
High/low	2100/2099	2136/2110
AM Official	2099-100	2123-4
Kerb close		2119-20
Open int.	149,796	
Total daily turnover	75,372	

■ LME AM Official £/$ rate: 1.6153
LME Closing £/$ rate: 1.6135

Spot: 1.6147 3 mths: 1.6088 6 mths: 1.6038 9 mths: 1.5980

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	95.30	–0.35	95.40	94.50	515	3,201
Nov	96.00	–0.45	96.00	95.40	244	1,902
Dec	96.60	–0.40	97.00	95.40	17,468	26,084
Jan	96.70	–0.30	96.70	96.60	39	1,081
Feb	96.70	–0.30	96.60	96.40	47	1,072
Mar	96.70	–0.30	96.80	96.00	186	4,945
Total					18,949	49,863

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	335.80-336.30		
Opening	334.70-335.00		
Morning fix	336.80	208.506	487.518
Afternoon fix	337.15	208.989	491.058
Day's High	339.60-340.00		
Day's Low	334.20-334.50		
Previous close	332.80-333.30		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.39 6 months 3.24
2 months ....3.38 12 months 3.38
3 months 3.24

Silver Fix	p/troy oz.	US cts equiv.
Spot	320.85	518.50
3 months	324.55	522.50
6 months	328.40	526.75
1 year	336.60	536.20
Gold Coins	$ price	£ equiv.
Krugerrand	320-322	198-200
Maple Leaf	-	-
New Sovereign	75-77	46-48

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	333.6	–0.7	338.0	333.0	1,112	836
Nov	334.5	–0.8	336.5	336.5	–	–
Dec	336.1	–0.8	342.1	335.9	107.1k	98,276
Feb	337.4	–0.8	342.3	337.5	6,342	19,752
Apr	339.2	–0.8	344.0	340.0	484	5,776
Jun	341.2	–0.8	345.7	342.7	992	9,528
Total					118,912	182,284

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	430.1	–2.4	433.5	428.6	2,558	1,779
Jan	428.6	–2.9	433.5	428.2	3,685	11,423
Apr	421.1	–2.9	433.5	422.0	9	734
Jul	417.1	–2.9	–	–	–	3
Total					6,252	13,939

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	192.70	–1.20	193.90	191.00	297	3,373
Mar	188.70	–1.20	–	–	14	338
Jun	188.20	–1.20	192.00	192.00	–	108
Total					297	3,819

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	514.2	–4.5	525.0	520.0	32	15
Nov	516.7	–4.5	–	–	–	–
Dec	518.5	–4.7	525.0	514.5	40,399	68,991
Jan	519.9	–4.8	527.0	521.0	–	21
Mar	524.9	–5.0	530.5	521.0	1,529	14,174
May	528.4	–5.0	530.0	528.0	303	3,368
Total					42,865	95,589

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	21.14	–0.04	21.33	21.01	59,258	105.9k
Dec	21.09	–0.03	21.28	20.96	36,223	78,464
Jan	21.02	–0.02	21.10	20.94	15,521	41,033
Feb	20.94	–0.01	20.98	20.87	11,117	20,405
Mar	20.86	–0.01	20.96	20.72	2,941	12,783
Apr	20.75	–0.05	20.80	20.65	1,572	10,444
Total					147,592	425,980

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	19.89	–0.01	19.95	19.75	13,540	64,950
Dec	19.88	–0.03	19.93	19.76	7,634	36,720
Jan	19.85	+0.02	19.87	19.74	2,518	26,649
Feb	19.74	–	19.74	19.68	315	10,155
Mar	19.60	–	19.67	19.56	420	4,589
Apr	19.50	–0.06	19.52	19.50	97	2,311
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	58.45	–0.32	58.85	58.00	24,733	47,308
Dec	59.30	–0.40	59.70	58.90	9,809	29,212
Jan	59.95	–0.30	60.25	59.60	3,325	21,390
Feb	60.10	–0.25	60.30	59.90	1,618	12,557
Mar	59.20	–0.25	59.60	59.10	816	8,551
Apr	57.50	–0.35	57.70	57.50	420	4,598
Total					62,186	147,434

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	178.25	–2.50	179.00	177.00	6,476	21,189
Nov	179.75	–2.50	180.75	178.75	6,468	22,856
Dec	181.50	–2.00	182.00	180.50	1,825	16,877
Jan	183.25	–1.50	183.25	182.00	1,021	13,311
Feb	183.50	–1.25	183.50	182.75	606	7,505
Mar	181.00	–1.50	180.25	180.25	104	4,919
Total					16,912	98,127

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Nov	13.150	–0.120	13.260	13.150	65	1,160
Dec	15.800	–0.090	15.850	15.800	30	1,205
Total					520	10,870

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	3.115	+0.033	3.220	3.060	40,209	52,792
Dec	3.190	+0.034	3.280	3.130	11,679	31,754
Jan	3.135	+0.015	3.210	3.090	6,913	27,768
Feb	2.800	+0.026	2.850	2.760	2,721	18,724
Mar	2.560	+0.036	2.590	2.530	1,319	12,640
Apr	2.340	+0.025	2.385	2.320	519	7,805
Total					68,413	228,512

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	60.15	–0.51	61.00	59.50	17,841	42,653
Dec	59.55	–0.36	60.00	59.15	8,926	16,151
Jan	59.60	–0.14	59.70	59.20	2,580	15,185
Feb	60.25	–	60.25	60.15	1,403	4,825
Mar	60.50	–	60.50	60.50	531	5,917
Apr	63.20	+0.01	63.20	63.10	381	3,992
Total					47,192	89,686

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	86.15	–0.20	86.85	86.50	290	2,702
Jan	88.00	–0.25	88.80	87.85	47	2,971
Mar	90.00	–0.25	90.75	89.75	399	2,625
May	92.00	–0.25	92.75	92.10	195	1,556
Jul	94.00	–0.25	94.40	94.40	10	141
Total					941	9,995

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	350.75	–3.5	355.75	350.50	14,634	62,428
Mar	365.25	–3.5	369.50	365.00	2,291	25,830
May	372.75	–3.5	376.75	372.75	456	5,148
Jul	374.50	–2.5	381.00	374.00	1,341	11,062
Sep	378.00	–2	383.00	380.00	35	59
Dec	388.50	–1.5	392.00	388.50	64	2,794
Total					18,821	107,345

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	256.25	–1.5	259.25	255.75	40,043	199,811
Mar	265.25	–1.5	268.00	264.75	6,171	64,633
May	270.50	–1	273.25	270.00	1,014	16,226
Jul	274.00	–1.75	277.00	273.75	2,078	28,128
Sep	270.00	–1.25	271.50	270.00	55	2,094
Dec	268.75	–2.25	272.25	268.50	1,196	17,919
Total					50,605	329,079

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	80.00	–	80.50	80.50	10	1,075
Jan	82.25	–	82.75	82.25	20	841
Mar	84.00	–	84.50	84.50	–	340
May	85.25	–	–	–	–	23
Total					18	2,256

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	620.50	–1	625.00	620.00	31,623	99,209
Jan	623.50	–2.25	629.00	623.00	5,340	29,148
Mar	628.25	–4.75	634.50	628.00	2,238	12,498
May	637.50	–4.25	642.50	637.00	2,438	12,298
Jul	643.25	–5.75	649.00	642.50	2,962	10,980
Aug	642.50	–3.5	646.00	645.00	197	340
Total					45,498	166,265

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	23.41	–0.19	23.70	23.39	3,153	4,401
Dec	23.76	–0.11	24.00	23.73	12,850	55,830
Jan	23.95	–0.1	24.10	23.94	2,722	16,269
Mar	24.14	–0.08	24.33	24.12	2,236	9,838
May	24.27	–0.05	24.35	24.20	963	7,174
Jul	24.34	–0.01	24.40	24.30	1,504	5,479
Total					23,857	100,171

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	205.4	–	206.6	204.7	7,345	15,965
Dec	197.7	+0.7	198.9	196.9	15,581	45,471
Jan	195.0	–0.7	197.1	195.1	3,084	14,662
Mar	192.5	–0.4	193.6	192.1	2,832	13,935
May	191.4	–0.9	193.0	191.3	1,498	14,795
Jul	193.5	–1.3	195.3	193.3	1,623	6,911
Total					32,332	114,152

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	65.0	–	–	–	–	7
Mar	79.0	–1.0	–	–	–	–
Apr	99.0	–1.0	103.0	98.0	62	1,008
May	114.0	–1.0	–	–	–	22
Jun	124.0	–1.0	–	–	–	–
Total					62	1,037

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	1387	+7	1389	1370	116	1,080
Nov	1475	–5	1485	1469	57	259
Dec	1485	–	–	–	–	–
Jan	1490	–5	1500	1484	26	511
Apr	1505	+5	–	–	1	182
Total					199	2,072

	Close	Prev
BFI	1281	n/a

PULP AND PAPER

■ PULPEX OMLX ($6; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	609.00	+2.00	610.00	604.25	86	210
Mar	624.25	–3.00	626.75	624.25	35	192
Total					146	349

FUTURES DATA
All futures data supplied by CMS.

Minor metals from Metal Bulletin
European free market. $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.65%, $ per tonne, 1,860-1,920 (1,880-1,940). Bismuth: min. 99.99%, tonne lots 3.30-3.50. Cadmium: min. 99.95%, cents a pound, 40.00-50.00. Cobalt: MB free market, min. 99.8%, 22.80-24.80 (24.00-25.00); 99.3%, 20.00-20.90 (19.90-20.80). Mercury: min. 99.99%, $ per 76 lb flask, 140-160. Molybdenum: drummed molybdic oxide, 4.25-4.40. Selenium: min 99.5%, 2.00-3.00 (1.90-2.90). Tungsten ore: min. 65%, $ per tonne unit (10 kg) WO_3, CIF, 40-45. Vanadium: min. 98%, CIF, 4.05-4.15.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1128	–1	1135	1128	1,320	47,700
Mar	1148	–1	1155	1147	695	52,110
May	1163	–1	1169	1161	242	23,142
Jul	1178	–	1182	1181	63	9,055
Sep	1194	+1	1202	1197	52	13,594
Dec	1205	+2	1211	1205	19	15,358
Total					2,540	177,777

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1678	–1	1689	1667	5,770	41,450
Mar	1706	–5	1719	1699	2,109	24,461
May	1727	–4	1733	1725	274	11,963
Jul	1747	–3	1750	1742	34	3,552
Sep	1765	–2	1765	1765	1	4,510
Dec	1778	–6	1783	1783	200	6,916
Total					8,387	103,224

■ COCOA (ICCO) (SDR's/tonne)

Sep 30	Price	Prev. day
Daily	n/a	1305.96

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1640	+35	1640	1590	2,860	17,698
Jan	1655	+38	1655	1610	2,184	10,156
Mar	1663	+41	1650	1611	762	5,167
May	1675	+43	1670	1627	280	754
Jul	1685	+43	–	–	–	302
Sep	1690	+43	–	–	–	197
Total					5,886	34,274

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	162.35	–0.15	164.90	161.25	4,564	12,358
Mar	151.90	+0.50	153.25	150.50	1,344	6,760
May	146.80	+0.40	148.00	145.50	371	2,006
Jul	141.30	–0.10	142.50	140.75	305	2,054
Sep	136.30	–0.10	136.00	136.00	21	511
Dec	131.30	–0.10	132.00	131.00	25	365
Total					6,618	24,054

■ COFFEE (ICO) (US cents/pound)

Sep 30		Prev. day
Comp. daily	125.53	125.52
15 day average	129.22	130.00

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	301.7	+2.2	302.0	298.5	1,114	9,921
Mar	308.9	+0.9	309.2	307.0	827	15,051
May	314.5	+0.9	314.9	313.1	204	3,119
Aug	317.2	+0.4	317.9	317.1	93	1,773
Oct	314.4	–0.2	315.0	314.4	157	2,581
Dec	316.4	–0.9	–	–	–	124
Total					–	23,950

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	11.69	+0.13	11.71	11.59	11,612	95,697
May	11.76	+0.08	11.77	11.71	1,734	24,320
Jul	11.58	+0.05	11.58	11.54	1,155	18,029
Oct	11.56	+0.06	11.58	11.55	432	14,971
Mar	11.51	+0.05	11.53	11.49	25	3,326
May	11.49	+0.05	11.44	11.44	10	199
Total					21,677	180,319

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	68.85	–0.55	69.80	68.85	46	63
Dec	71.64	+0.09	71.85	71.55	22,891	51,719
Mar	73.10	–0.06	73.25	73.05	4,226	15,301
May	73.85	–0.03	73.92	73.71	2,498	7,542
Jul	74.50	–0.07	74.65	74.50	1,798	6,708
Oct	75.00	–	75.20	75.00	164	696
Total					32,249	90,448

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	71.90	–0.20	72.50	71.10	2,376	18,336
Jan	74.90	–0.10	75.40	74.10	965	10,570
Mar	77.90	+0.15	78.25	77.10	473	7,015
May	80.65	+0.15	80.75	80.00	14	1,721
Jul	83.15	+0.15	83.25	83.25	21	713
Sep	85.15	+0.15	–	–	–	274
Total					3,848	38,695

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Oct 1	Sep 30	month ago	year ago
1882.6	1890.3	1927.0	1900.7

■ CRB Futures (Base: 1967 = 100)

Sep 30	Sep 29	month ago	year ago
243.06	243.49	–	–

■ GSCI Spot (Base: 1970 = 100)

Sep 30	Sep 29	month ago	year ago
201.73	202.01	195.77	205.22

LME WAREHOUSE STOCKS (tonnes)

Aluminium	–575	to	731,900
Aluminium alloy	+60	to	30,000
Copper	+3,700	to	332,800
Lead	–325	to	121,100
Nickel	+108	to	60,840
Zinc	+3,250	to	436,425
Tin	+30	to	11,390

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	66.575	–1.125	68.050	66.325	5,469	17,886
Dec	66.250	–0.850	67.550	66.050	8,508	39,547
Feb	69.975	–0.775	70.275	69.050	2,699	16,100
Apr	72.475	–0.475	73.275	72.400	1,378	10,486
Jun	69.475	–0.300	70.075	69.400	683	8,730
Aug	69.000	–0.500	69.750	69.000	605	2,287
Total					19,462	93,652

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	67.575	–0.225	68.600	67.450	5,384	8,938
Dec	63.250	–0.175	63.650	63.150	6,942	13,268
Feb	62.425	–0.075	62.850	62.100	1,530	4,651
Apr	59.000	–0.025	59.525	58.600	314	1,686
Jun	65.575	–0.150	66.050	65.525	191	1,452
Jul	64.500	+0.025	64.875	64.100	103	817
Total					14,505	31,549

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	62.425	–1.100	64.000	62.300	2,201	5,786
Mar	62.500	–0.925	63.750	62.250	86	526
May	65.000	+0.100	65.000	64.025	41	131
Jul	64.850	–1.050	65.650	64.650	20	103
Aug	63.975	–	65.000	63.975	2	12
Total					2,348	6,577

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1500	65	79	20	56
1600	37	56	42	81
1700	19	38	73	112
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
2000	99	127	40	74
2100	62	101	63	98
2200	41	80	91	125
■ COFFEE LIFFE	Nov	Jan	Nov	Jan
n/a				
n/a				
n/a				
■ COCOA LIFFE	Dec	Mar	Dec	Mar
n/a				
n/a				
n/a				
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1900	103	–	11	33
1950	62	–	26	–
2000	35	62	–	–

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel) +or-

		+or-
Dubai	$18.61-8.66w	–0.145
Brent Blend (dated)	$19.92-9.94	+0.045
Brent Blend (Nov)	$19.60-9.62	–0.075
W.T.I.	$21.14-1.15w	–0.105

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$201-203	–2
Gas Oil	$180-182	–2.5
Heavy Fuel Oil	$94-96	
Naphtha	$200-201	
Jet fuel	$185-187	–2.5
Diesel	$186-191	–3

■ NATURAL GAS (Pence/therm)

Bacton (Nov)	13.15-13.25	–0.05

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

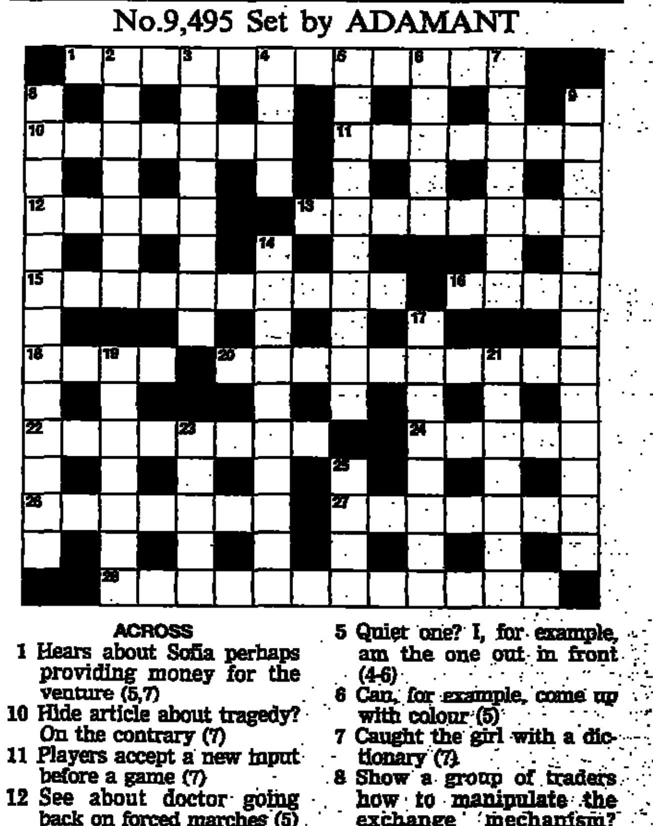
Gold (per troy oz)♣	$336.05	+4.50
Silver (per troy oz)♣	518.00c	–6.00
Platinum (per troy oz.)	$433.00	–1.25
Palladium (per troy oz.)	$192.00	–2.00
Copper	100.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	18.13r	
Tin (New York)	266.5	+1.5
Cattle (live weight)	95.83p	–1.63*
Sheep (live weight)	108.32p	–0.68*
Pigs (live weight)	81.96p	–1.26*
Lon. day sugar (raw)	$269.80	+2.40
Lon. day sugar (wte)	$301.00	–1.00
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£103.00	
Wheat (US Dark North)	Unq	
Rubber (Oct)♥	58.50p	
Rubber (Nov)♥	58.50p	
Rubber (KL RSS No1)	277.0z	+5.5
Coconut Oil (Phil)§	670.0y	
Palm Oil (Malay.)§	550.0z	
Copra (Phil)§	420.0z	
Soyabeans (US)	211.0	
Cotton Outlook'A' index	79.50c	
Wooltops (64s Super)	437p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Sep/Oct. z Oct/Nov. v Nov. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,403 head of pigs sold.

JOTTER PAD

CROSSWORD

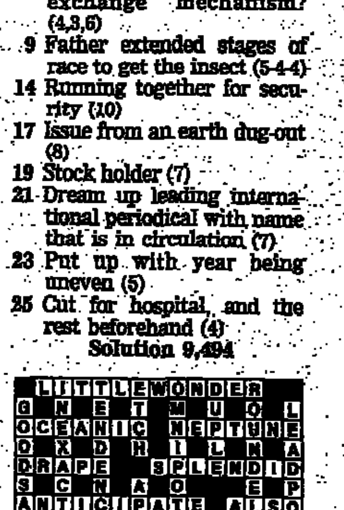
No.9,495 Set by ADAMANT



ACROSS
1 Hears about Sofia perhaps providing money for the venture (5,7)
10 Hide article about tragedy? On the contrary (7)
11 Players accept a new input before a game (7)
12 See about doctor going back on forced marches (5)
13 Help to protect stone damaged by a rock from the sky (8)
15 After this time, the French play about with love (10)
16 Some say that Dido, lover of Aeneas, was one who engendered worship (4)
18 Currency note (4)
20 Charge the diplomats a pound at the start (10)
22 Curls round the obstruction (8)
24 Good method of travel for finding a holy object (5)
26 Hare, for example, could be out of humour, we hear (7)
27 Adding up the rag and bone man's business (7)
28 Warrant to hire Britannia maybe? (5,7)

DOWN
2 Chief hunk swallowed the publicity (7)
3 Makes another mess of scattering her remains (8)
4 Complain about the pair coming up (4)
5 Quiet one? I, for example, am the one out in front (4-6)
6 Can, for example, come up with colour (5)
7 Caught the girl with a dictionary (7)
8 Show a group of traders how to manipulate the exchange mechanism? (4,3,6)
9 Father extended stages of race to get the insect (5-4-4)
14 Running together for security (10)
17 Issue from an earth dug-out (8)
19 Stock holder (7)
21 Dream up leading international periodical with name that is in circulation (7)
23 Put up with year being uneven (5)
25 Cut for hospital, and the rest beforehand (4)

Solution 9,494



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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

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	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Aetna Master Fund (z) (x)						
23 avenue de la Liberte, L-1931, Lux			00 352 2854 541			
Aust/Asian Nat NAV			A$19.06		+0.15	-
Austrian Nat NAV			Sch71 45		+0.16	-
Belgo/Lux NAV			BFr1035.03		+0.77	-
Dutch Nat NAV			Dfl37.75		+0.05	-
French Nat NAV			FFr136.32		+1.35	-
German Nat NAV			DM24.42		+0.25	-
Hongkong Nat NAV			HK$148.54		-0.01	-
Italian Nat NAV			L36000		+52	-
Japanese Nat NAV			Y1145		+2	-
Spanish Nat NAV			Pta1900		+11	-
UK Nat NAV			£13.16		+0.08	-
United States Dlr Res			$11.52		—	-
Prices quoted are "A" shares						
American Phoenix Investment Portfolios (u)						
13 rue Goethe, L-1637 Luxembourg			00 352 404646211			
European Multinational Ptfo			Ecu25.69		+0.06	-
European Multinational Ptfo			$28.53		+0.1	-
European Multinational Ptfo			£17 67		+0.04	-
European Multinational Ptfo			L48245		+163	-
European Multinational Ptfo			DM50.31		+0.1	-
Global Multinational Ptfo			Ecu23.80		+0.03	-
Global Multinational Ptfo			$26.22		+0.06	-
Global Multinational Ptfo			£16.24		+0.02	-
Global Multinational Ptfo			L45787		+95	-
Global Multinational Ptfo			DM46.24		+0.03	-
US Growth Companies			$18.80		+0.17	-
US Growth Companies			£11.64		+0.08	-
US Growth Companies			L32445		+283	-
US Growth Companies			DM33 15		+0.28	-
US Real Estate Securities			$17.16		+0.16	-
US Real Estate Securities			£10.63		+0.09	-
US Real Estate Securities			L29612		+274	-
US Real Estate Securities			DM30.25		+0.24	-
BAII Asset Management Ltd						
10 Piccadilly, London W1V 0EE			0171 734 3700			
International NAV Sep 15 F.			$869.55		+3.90	-
[illegible]						

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Fleming Group - Contd.						
Fleming Flagship Series II (Daily Dealing)						
DM Class F			DM12.503		—	2.88
FFr Class F			FFr65.153		+0.01	2.92
ITL Class F			L22849		+4 00	6.15
Y Class F			Y3.399		—	0.60
US$ Class F			$12.390		—	5.41
Gartmore Fund Sicav						
International Equity F	5	CE	$7.864	12.1775	—	-
Foreign & Colonial Emerging Markets Ltd (u)						
Exchange Ho, Primrose St, Ldn, EC2A 2NY			0171-628 1234			
F&C Emerging Markets						
Argentinian Inv Co F			$28.82		-0.01	-
Brazilian Inv Co SICAV F			$57.05		+1.04	-
Emerging Markets Inv Co SICAV F			$13.02		+0.12	-
Latin Amer Inv Co SICAV F			$14 77		+0.20	-
Mexican Inv Co SICAV F			$35.79		+0.00	-
Foreign & Colonial Portfolios Fd Sicav (u)						
33 Boulevard Prince Henri, L-1724 Lux			00 352 2255 211			
Am Smlr Cos Eq F			$47 40		+0.34	-
Emerging Asian Eq F			$19.51		-0.21	-
Sterling Bds F			£10.63		—	-
Sterling Distribution F	5		£9.86		+0.04	-
Frontrunner I (u)						
47a rue de Neudorf, Luxembourg			00 352 43667350			
European Equities			Ecu174.90		—	-
Global Bonds			DM179.84		—	-
Global Bonds			DM157 92		—	-
Sterling Fund			£160.14		—	-
Danish Bonds			DKr1053.18		—	-
Swedish Bonds	3		SKr1553.10		—	-
German Bonds			DM100.53		—	-
Dollar Bonds	3		$102.88		—	-
Scandinavian Equities			Ecu294.87		—	-
Far East Equities			$92.30		—	-
North American Equities	5		$114.06		—	-
Danish Kroner Reserve			DKr711.84		—	-
[illegible]						

[illegible]

OFFSHORE INSURANCES

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

هكذا من الأهل

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Offshore Insurances and Other Funds

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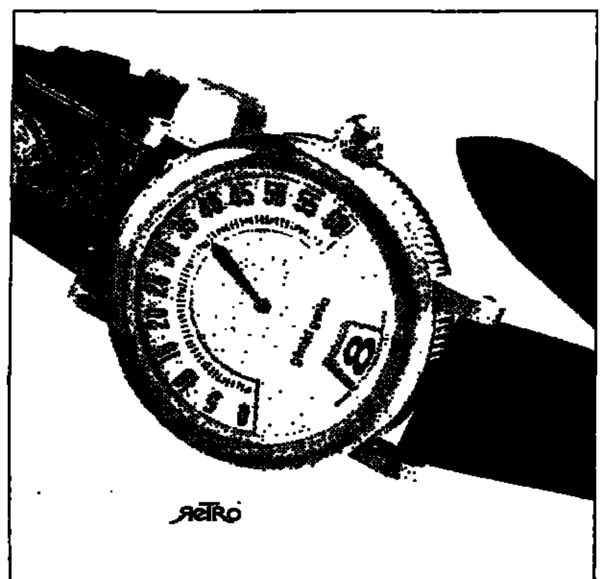
	Selling Price	Buying Price	+ or -	Yield Gross
Premier Life				
Crystal Corporation N.V.				
Crystal Fund Managers (Bermuda) Ltd				
Crystal I Aug 31	$11.53	12.28	—	0.00
Dubrow Global Management Limited				
The Elger Fund (OBC)	$1405.74		—	—
DWS Deutsche Ges. F. Wertpapiersp				
Global Asset Management - Contd.				
GAM CSFF Inc	$111.87		—	—
GAM Capital Appreciation Inc	$133.51		—	—
GAM Cross Market	$184.64		—	—
GAM Diversity	$287.21		—	—
GAM Dollar & International	$113.23	118.75	-0.85	—
Insinger Asset Management				
Global Select UC	$102.29		—	—
Asia Growth	$116.07		—	—
Euro Bd USD Hedged	$121.73		—	—
Integral Hedged Assets Ltd				
UK Sentinel	£11.84		—	—
American Sentinel	£14.36		—	—
Japanese Sentinel	£6.97		—	—
Continental European Sentinel	£9.58		—	—
The International Investor				
Al Kasr Fd	$10.14		—	—
TII Small-Cap Equity	$11.54		—	—
INVESCO Asia Ltd				
INVESCO ASEAN Leaders	$18.22	19.15		—
Global Portfolio (BVI) Management Ltd				
Hydra	$12885.76		—	—
Pentax Directional Currency	$9660		—	—
Penta Europe US$	$27883		—	—
Penta Europe DM	DM50 366		—	—
Globalvest Management Co LP				
Latinvest Sep 1	$57.35		—	—
Brazvest Sep 1	$41.29		—	—
Goldman Sachs				
GS Adjustable Rate Mtge I Jul 31	$9.78		—	—
GS Global Currency Jul 31	$1560.75		—	—
GS Global Currency SF Jul 31	SFr1232.72		—	—
JF Japan Leveraged	Y809	856		
JF Japan Warrant Tst	$3.59	3.81		
JF Asia Lev Tst (Unauthorised)	Y4774	5052		
JF Taipei Tst (Unauthorised)	T5446.50	475.80		
JF Thailand Capital Guard	$8.90			

Only available during special offer periods *
Prices as at September 29

	Selling Price	Buying Price	+ or -	Yield Gross
Jupiter Asset Management (Asia) Ltd				
Hong Kong Investment Co Ltd	$1.29		-0.09	—
Philippine Investment Co Ltd	$0.68		-0.19	—
Jupiter Asset Mngt (Bermuda) Ltd				
Jupiter Hedge	£1.34	1.42	+0.05	—



Group One International Tst

Jupiter Asset Mngt - Contd.

KD Offshore Fund, C.V.

Kemper Global Investments Limited

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	487	-4½	493½	407½	5,084	5.6	14.6
Bulmer (HP)	422½	+10	628	385	221.1	4.3	11.9
Burn St Dist	49½	—	96½	40½	27.8	9.1	11.5
Glenmorangie A	875	—	1040	755	132.8	1.7	24.1
B	1080	—	1140	970	43.2	0.8	53.4
Grand Met	580	-4	631	425½	12,575	3.3	18.1
Guinness	585½xd	+4	627	474	11,152	3.3	16.2
Highland	267½	—	300	205½	385.5	3.7	12.5
5¼pc Cnv Bds	98	—	101½	85½	43.0	6.5	-
Kirin Y	508½	-½	898	486½	8,748	1.2	-
Matthew Clark	258½	+11½	387½	213	227.9	11.7	7.8
Merrydown	98½	—	114½	92½	6.43	6.6	14.6
Seagram C$	£22¼	-⅛	£25½	£21¼	6,003	1.3	-

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

جكذا من الأجل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£26¾	—	*£27¼	£20¼	1,894	3.0	ф
Barlow	&†	£7½	-⅛	£8½	£5¾	1,446	2.0	14.9
Gold Flds Prop R	†	146½	—	197	122	14.4	6.1	10.8
SA Brews		£18	+⅛	£23¼	£13¾	5,303	2.1	ф
Standard Bank		£27½	+½	£30	£21	3,289	2.0	ф
Tiger Oats	†	909	-19	1100	790	1,374	2.0	17.5
Tongaat-Hulett		763¼	+1	788¾	576¼	741.9	2.5	ф

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

* Highs and lows marked thus have been adjusted to allow for capital changes
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
ф Figures or report awaited
♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
♣ Free annual/interim report available, see details below.
‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
‡ Price at time of suspension.
¶ Indicated dividend yield after pending scrip and/or rights issue
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

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Comprehensive 10-16 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.
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Focus Plus (FT and Investors Chronicle news) £10.95.
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LONDON STOCK EXCHANGE

Demand for shares drives Footsie above 5,300

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Just when the equity market's monetary union feeding frenzy looked like subsiding, London's equity market was sent spiralling to new peaks. Strong performances from BT and Cable & Wireless were the main cause but so was another powerful showing by gilts.

The two telecom shares shot up in the wake of news that WorldCom, the US telecoms group, had trumped BT's controversial offer for MCI, forcing the UK company to shift its acquisition focus.

The market's gaze instantly alighted on Cable & Wireless. Between them, the performances of BT and C&W were responsible for almost 20 points of the FTSE 100 index's closing gain.

With further takeover fever emerging in the rest of the telecoms/cable arena, the story was responsible for a large part of the move to new records in all the leading indices.

There were substantial rises for Vodafone, long viewed as a potential takeover target, and Securicor, where BT has long coveted the group's minority stake in Cellnet, the mobile phones group.

There was also a scintillating stock market debut for Northern Rock, which kicked off its career at 470p, well ahead of the most optimistic forecasts, after some aggressive bidding for stock by the big institutions at the first of the auctions held by ABN Amro Hoare Govett.

With Northern's debut providing further impetus for the banking sector, the FTSE 100 launched a determined and ultimately successful attack on the 5,300 level, eventually settling 72.9 higher at 5,317.1, easily a new closing record.

After a strong opening on Wall Street, it touched an intra-day peak of 5,293.2. The Dow Jones Industrial Average was up more than 60 points shortly before London closed, responding to encouraging economic news, notably a weaker-than-expected purchasing managers' survey.

The FTSE 250 was left for dead by the pace of Footsie's latest advance, managing only a modest 9.5 gain at 4,839.4, a new closing peak. At its best, that index hit 4,839.6. The FTSE SmallCap rose 8.5 to 2,343.5.

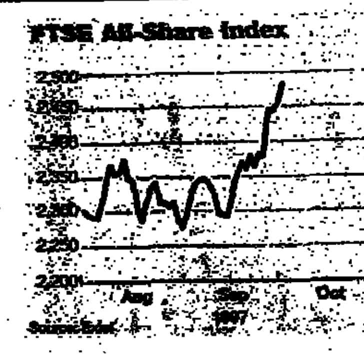
The FTSE All-Share index was lifted 27.3 to a record close of 2,482.39, after an intra-day peak of 2,483.35.

Volume in equities was substantially boosted by the massive turnover in Northern Rock, after the auction activity, and BT, after the MCI news. By 6pm, some 1.2bn shares had changed hands in the market, with non-FTSE 100 stocks accounting for 55 per cent of the total. Northern Rock and Shell between them accounted for 32 per cent of the overall total.

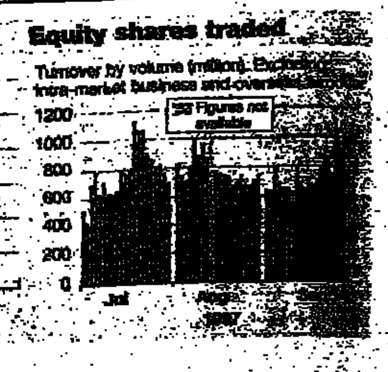
Shell's move to restructure its European petrol retailing business, involving the loss of 3,000 jobs and a return to petrol price "wars", saw its shares move towards the top of the FTSE 100 performance table.

But its rise hit the big supermarket stocks which have only just recovered from the last outbreak of price cutting in petrol retailing.

FTSE All-Share Index



Equity shares traded



Indices and ratios

FTSE 100	5317.1	+72.9	FT 30	3395.1	+24.6
FTSE 250	4839.4	+9.5	FTSE Non-Fins p/e	20.68	20.46
FTSE 350	2545.6	+29.3	FTSE 100 Fut Dec	5396.0	+63.0
FTSE All-Share	2482.39	+27.37	10 yr Gilt yield	6.40	6.51
FTSE All-Share yield	3.14	3.17	Long gilt/equity yld ratio	2.07	2.07

Best performing sectors
1 Telecommunications .... +6.4
2 Utilities .... +2.9
3 Electronic & Elect .... +2.6
4 Oil: Integrated .... +2.3
5 Mineral Extraction .... +2.0

Worst performing sectors
1 Retailers: Food .... -1.7
2 Engineering: Vehicles .... -0.5
3 Paper: Pkg & Printing .... -0.4
4 Diversified Inds .... -0.2
5 Breweries: Pubs .... -0.1

MCI news boosts telecoms

By Joel Kibazo, Peter John and Martin Brice

British Telecommunications was the main talking point of the day as the market digested the news that its revised bid for America's MCI Communications had been trumped by a rival $30bn offer from WorldCom of the US.

The mid-morning confirmation of the alternative offer triggered a buying spree in the stock which resulted in several backwardations (a situation when the bid and offer price are temporarily reversed on the trading screen).

Dealers said it was the "relief" factor that had led to the buying, with many investors said to believe BT is unlikely to top the WorldCom offer and will, in fact, benefit from the rival bid because it has a 20 per cent stake in MCI.

The shares soared in hectic trading and, at the day's peak, hit 445½p, before coming off the top to close 32¼ ahead at 442p, the best performer in the FTSE 100. Turnover of 155m also made it the most heavily traded Footsie stock of the session.

Jim McCafferty, at ABN Amro Hoare Govett, said: "The market appears enthused that the MCI deal will not proceed. On that basis earnings estimates will be revised upwards."

Another broker said simply: "I know there are concerns about BT's global strategy if it does not proceed with the MCI deal but frankly there are other companies it can do a deal with."

There was speculation late in the session that BT may use the proceeds from the sale of its MCI holding for a share buy-back.

The higher-than-expected valuation placed on MCI by its US bidder helped boost other telecom-related stocks. **Cable & Wireless**, a weak feature of late, gained 33 to 560½p in turnover of 10m, while *C&W Communications* appreciated 11 to 240p. Colt Telecom Group rose 36 to 506½p.

Northern Rock continued the trend of strong debuts in the banking sector with the shares trading above 470p, a strong premium to the best forecasts.

Financial bookmakers had indicated an opening price of around 430p while some marketmakers had suggested the stock could trade in the region of 450p.

But the close at 463p surprised most banking specialists and delighted the 400,000 individual shareholders who, between them, sold 43 per cent of the stock and reaped £860m. Volume dominated the overall turnover as 208m shares changed hands.

A European roadshow hosted by Merrill has prompted continental buying for Abbey National. The bank gained 22 to 976½p as three days of talks to investment institutions bore fruit.

Big restructuring at Shell Transport gave the stock a strong boost as sector specialists calculated the potential benefit to the bottom line.

News about the European reorganisation follows a visit by US and European analysts to the company's operations in Thailand, Malaysia and Singapore.

NatWest Securities said the European downstream restructuring will reduce the staff by 15 per cent and cut the cost per litre of oil by 45 per cent to save around $1bn a year.

The broker said: "Royal Dutch and Shell Transport remain 15-20 per cent undervalued on both an earnings and cashflow basis against other major oil stocks."

On the other hand, the moves introduce the possibility of a price war at the pumps. Consequently, while shares in Shell Transport responded to the restructuring news with a rise of 23 to 476½p, BP fell back in early trading and closed only a penny higher at 936½p.

BAe recovered from its recent weakness, prompted by the Airbus crash in Indonesia and the issue of the nurses facing murder charges in Saudi Arabia. The shares gained 31½ to £16.95.

A broker recommendation helped **Thames Water** improve 11 to 884p following an analysts' visit to the company's water treatment project in Turkey. Panmure Gordon spoke to the company ahead of the close season and came away with the view that the shares were worth almost £10.00.

Also, there is a strong rumour that Générale des Eaux of France has approached Thames with an offer of £400m for its international business. And while Thames is not keen on selling, the figure – if true – enables analysts to value the business more easily.

High street retailer **WH Smith Group** recovered some ground late in the session on news that it had rejected a takeover proposal from Tim Waterstone, the former owner of the eponymous book chain. The shares closed 2½ off at 365½p.

The group has been the subject of bid speculation for the best part of this year although few had expected yesterday's announcement.

Centrica, the main supplier of natural gas in the UK, gained 1¼ to 94¼p as the company announced it had cancelled more of its onerous take-or-pay contracts.

Zeneca lifted 33 to £20.54½ *following confirmation that* the US Food and Drug Administration has cleared Seroquel, the company's new treatment for schizophrenia.

Enthusiasm ahead of a broker presentation to Scottish institutions helped **Shield Diagnostics** lift 20 to 700p.

The rally in McKechnie showed no sign of easing as the stock rose 2 to 507½p, helped by a "buy" note from Charterhouse Tilney. Michael Blogg at the broker believes the shares are undervalued and told clients: "Last year's problem areas have been addressed and action has been taken."

Recent bullish sentiment for housebuilding stocks saw **Barratt Developments** ahead 5 at 268½p, and Berkeley Group up 3 to 748½p. However, the rally in Beazer ran out of steam and the stock eased to 182½p.

The strengthening of the pound by a pfennig against the D-Mark saw companies exposed to overseas earnings surrendering some of their recent gains.

Blue Circle recorded the third-largest fall in the FTSE 100 with a decline of 6 to 395p.

Engineering exporters also suffered, with **Rolls-Royce** 2½ down at 253½p, while LucasVarity surrendered 2 to 232p and GKN gave up 9 to £13.91.

Topps Tiles continued to bask in the effect of the upbeat trading statement at the annual meeting on Tuesday, and the shares advanced 18½ to 218p.

Viglen Technology rose 16 to 79p after an announcement that it was to market computers in an agreement with Microsoft.

Arthur Shaw, the building materials and merchants group, fell 1¼ to 3¾p after it announced continuing losses and passed its dividend.

FT 30 INDEX

	Oct 1	Sep 30	Sep 29	Sep 26	Sep 25	Yr ago	*High	*Low
FT 30	3395.1	3370.5	3363.5	3374.2	3276.5	2865.8	3395.1	2658.8
Ord. div. yield	3.33	3.35	3.35	3.34	3.45	3.95	4.22	3.33
P/E ratio net	22.11	21.96	21.94	21.99	21.31	17.46	22.11	15.80
P/E ratio nil	21.81	21.66	21.64	21.69	21.02	17.30	21.81	15.71

FT 30 since compilation: high 3395.1 01/10/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3366.6	3373.9	3367.7	3380.5	3386.1	3383.8	3388.9	3387.9	3394.2	3398.0	3366.6

	Oct 1	Sep 30	Sep 29	Sep 26	Sep 25	Yr ago
SEAQ bargains	62,769	53,104	61,404	61,885	39,857	44,742
Equity turnover (£m)†	-	NA	NA	3430.1	2833.2	2067.0
Equity bargains†	-	NA	NA	56,407	40,219	44,185
Shares traded (ml)†	-	NA	NA	1031.8	902.3	678.4

†Excluding intra-market and overseas turnover but including Crest turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	1,124	Total Highs	358	Total contracts	53,006
Total Falls	500	Total Lows	44	Calls	22,739
Same	1,441			Puts	30,267

Oct 1 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	5320.0	5392.0	+66.0	5428.0	5311.0	10358	[illegible]
Mar	5406.0	5438.0	+65.0	5406.0	5406.0	10	[illegible]

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		4885.0	+9.0			0	[illegible]

■ FTSE 100 INDEX OPTION (LIFFE) (*5319) £10 per full index point

[illegible]

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

FTSE GOLD MINES INDEX

[illegible]

FTSE Actuaries Share Indices

Produced in conjunction with the Faculty and Institute of Actuaries

The UK Series

[illegible]

■ FTSE Actuaries Industry Sectors

[illegible]

■ Hourly movements

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 1 / Sch)

BELGIUM/LUXEMBOURG (Oct 1 / Frs.)

CZECH REP (Oct 1 / Korune)

DENMARK (Oct 1 / Kr.)

FINLAND (Oct 1 / Mkm)

FRANCE (Oct 1 / Frs.)

GERMANY (Oct 1 / Dm.)

GREECE (Oct 1 / Drachma)

ITALY (Oct 1 / Lira)

NETHERLANDS (Oct 1 / Fls.)

NORWAY (Oct 1 / Kroner)

POLAND (Oct 1 / Zloty)

PORTUGAL (Oct 1 / Escudo)

SPAIN (Oct 1 / Pts.)

SWEDEN (Oct 1 / Kronor)

SWITZERLAND (Oct 1 / Frs.)

TURKEY (Oct 1 / Tk Lira)

PACIFIC

JAPAN (Oct 1 / Yen)

HONG KONG (Sep 30 / H.K.$)

INDONESIA (Oct 1 / Rupiah)

MALAYSIA (Oct 1 / MYR)

NEW ZEALAND (Oct 1 / NZ $)

SINGAPORE (Oct 1 / S$)

AUSTRALIA (Oct 1 / Aust$)

SOUTH KOREA (Oct 1 / Won)

TAIWAN (Oct 1 / TW $)

THAILAND (Oct 1 / Baht)

MONTREAL (Oct 1 / Can $)

AFRICA

SOUTH AFRICA (Oct 1 / Rand)

NORTH AMERICA

CANADA

TORONTO (Oct 1 / Can $)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY SEPTEMBER 30 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY SEPTEMBER 29 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	234.89	0.3	215.57	179.26	215.68	215.74	-0.5	3.54	234.28	214.87	179.15	214.24	216.74	243.87	207.15	207.18
Austria (24)	207.37	0.3	190.30	158.25	190.41	190.33	0.7	1.72	206.79	189.65	158.13	189.10	189.01	207.37	175.14	178.94
Belgium (28)	249.49	0.1	228.96	190.40	229.06	224.22	0.5	3.08	249.14	228.49	190.51	227.82	223.63	261.11	215.57	216.69
Brazil (30)	284.12	1.6	260.74	216.83	260.89	572.98	1.8	1.28	278.99	255.86	213.33	255.11	562.67	322.44	178.94	181.61
Canada (123)	225.62	0.3	207.06	172.18	207.17	225.92	0.2	1.68	224.89	206.25	171.86	205.84	225.49	225.62	169.32	169.32
Denmark (32)	418.80	0.0	384.34	319.61	384.55	383.05	0.4	1.33	418.97	384.24	320.37	383.11	381.64	421.25	320.69	320.69
Finland (28)	333.79	1.3	306.33	254.73	306.50	370.32	1.8	1.48	329.40	302.10	251.88	301.21	363.68	333.79	211.71	213.54
France (83)	239.66	0.8	219.96	182.91	220.06	223.03	0.7	2.36	239.04	219.23	182.78	218.58	221.50	239.66	196.80	197.59
Germany (56)	232.68	0.9	213.54	177.57	213.66	213.66	1.4	1.34	230.54	211.43	176.29	210.81	210.81	238.42	177.27	177.27
Hong Kong, China (66)	517.25	1.1	474.69	394.74	474.95	513.90	1.1	3.03	511.84	469.42	391.39	468.04	508.56	580.03	439.95	452.38
Indonesia (27)	142.92	-1.3	131.16	109.07	131.24	286.71	0.4	2.23	144.83	132.83	110.75	132.44	285.65	254.90	130.64	204.81
Ireland (17)	382.99	0.6	351.47	292.28	351.67	370.74	1.1	2.61	380.56	349.02	291.00	347.99	366.67	382.99	303.00	303.00
Italy (53)	113.10	0.0	103.79	86.31	103.85	145.76	0.2	1.63	113.12	103.74	86.50	103.44	145.45	115.27	75.44	79.56
Japan (465)	120.34	0.5	110.44	91.84	110.50	91.84	0.2	0.87	119.81	109.88	91.61	108.55	91.61	147.57	107.57	147.57
Malaysia (107)	297.02	-0.7	272.58	226.67	272.73	370.60	0.8	1.92	299.24	274.44	228.82	273.64	368.05	660.85	287.37	568.68
Mexico (27)	1877.74	1.5	1723.24	1433.00	1724.19	15963.32	1.0	1.52	1850.11	1696.78	1414.72	1691.79	15811.34	1877.74	1136.59	1239.33
Netherlands (19)	420.00	1.1	385.44	320.52	385.66	381.36	1.6	2.19	415.36	380.94	317.61	379.82	375.55	431.66	302.89	302.96
New Zealand (14)	91.40	0.4	83.86	69.75	83.93	75.83	0.0	4.02	91.04	83.50	69.62	83.25	75.84	96.47	83.03	84.94
Norway (41)	355.85	0.7	326.57	271.57	326.75	342.50	0.8	1.79	353.27	323.99	270.13	323.04	339.95	355.85	251.32	251.32
Philippines (22)	97.01	-1.4	89.03	74.03	89.07	166.06	-0.3	1.26	98.41	90.26	75.25	89.99	166.60	214.07	96.40	201.20
Singapore (42)	304.65	2.2	279.58	232.49	279.73	214.80	2.3	1.47	298.05	273.35	227.91	272.55	210.01	448.01	284.17	404.27
South Africa (43)	329.08	0.5	302.01	251.14	302.17	335.36	0.5	2.54	327.36	300.23	250.32	299.34	333.80	370.12	301.49	342.48
Spain (33)	276.43	0.3	253.69	210.96	253.83	312.39	0.7	2.11	276.60	252.76	210.74	252.02	310.27	276.43	181.09	181.09
Sweden (49)	529.10	0.1	485.56	403.78	485.83	593.92	0.4	1.74	528.46	484.65	404.09	483.23	591.51	529.10	378.13	378.13
Switzerland (33)	314.78	-0.7	288.88	240.23	289.04	283.42	-0.7	1.17	316.86	290.61	242.30	289.76	285.27	329.59	231.69	243.61
Thailand (39)	44.50	-2.0	40.84	33.96	40.87	62.70	-1.2	4.43	45.42	41.66	34.73	41.54	63.46	148.69	37.40	146.69
United Kingdom (213)	332.51	0.4	305.15	253.76	305.32	305.15	0.4	3.25	331.29	303.83	253.32	302.94	303.83	332.51	249.43	249.43
USA (634)	385.53	-0.6	353.81	294.22	354.01	385.53	-0.6	1.61	387.98	355.82	296.67	354.78	387.98	389.67	280.25	280.25
Americas (814)	352.76	-0.5	323.74	269.21	323.91	297.12	-0.5	1.60	354.65	325.26	271.19	324.30	298.75	356.35	256.23	256.23
Europe (712)	289.89	0.4	266.03	221.23	266.16	273.34	0.6	2.32	288.84	264.90	220.87	264.12	271.74	288.89	218.38	218.39
Nordic (150)	454.78	0.3	417.36	347.06	417.59	447.80	0.7	1.65	453.21	415.65	346.55	414.43	444.70	454.78	322.92	322.92
Pacific Basin (878)	136.58	0.5	125.34	104.23	125.41	105.52	0.3	1.38	135.93	124.66	103.94	124.29	105.18	162.15	127.18	162.15
Euro-Pacific (1590)	200.56	0.4	184.06	153.06	184.16	188.47	0.5	1.95	199.74	183.19	152.74	182.65	187.85	209.12	173.55	185.44
North America (757)	375.67	-0.6	344.76	286.70	344.95	374.93	-0.6	1.61	377.88	346.56	288.95	345.54	377.16	379.38	273.48	273.48
Europe Ex. UK (499)	260.45	0.4	239.02	198.76	239.15	249.60	0.7	1.79	259.53	238.02	198.45	237.32	247.91	260.45	198.73	198.73
Pacific Ex. Japan (393)	276.99	0.6	254.20	211.39	254.34	258.63	0.6	2.97	275.38	252.55	210.57	251.81	257.17	320.65	260.02	293.61
World Ex. US (1813)	205.03	0.4	188.16	156.47	188.26	175.69	0.5	1.93	204.14	187.22	156.10	186.67	174.82	212.89	176.94	186.96
World Ex. UK (2234)	256.19	-0.1	235.11	195.51	235.24	229.15	-0.1	1.60	256.53	235.27	196.16	234.58	229.39	262.69	211.16	212.79
World Ex. Japan (1962)	334.77	-0.2	307.22	255.48	307.39	326.87	-0.1	1.93	335.33	307.54	256.42	306.64	327.20	335.33	252.90	252.90
The World Index (2447)	262.70	-0.1	241.08	200.48	241.22	238.03	-0.1	1.77	262.91	241.12	201.04	240.41	236.15	267.21	215.97	215.97

 PLEASE NOTE: Amendments to indices 30/9/97 applied to Norway, related regional indices and The World Index. CONSTITUENT CHANGE 30/9/97: Name change: TR Smaller Companies Investment Trust to Henderson Smaller Companies Investment Trust (UK). CONSTITUENT CHANGE 1/10/97: Name change: Allegheny Power to Allegheny Energy (USA). CONSTITUENT CHANGE WITH EFFECT 7/10/97: Addition: Tricon Global Restaurants (Large Cap) (USA). Latest prices were unavailable for this edition.

Emerging markets: IFC Investable indices

4 pm close October 1

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E-price-earnings ratio. xw-ex-warr. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. # Dealings suspended.

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مكتبة الأصل

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Sep 30	Sep 29	Sep 26	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7945.26	7991.43	7922.18	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	104.02	104.21	104.06	104.78 (31/7)	101.05 (14/4)	104.78 (31/7/97)	54.99 (1/10/81)
Transport	3179.74	3180.83	3163.11	3208.80 (19/9)	2222.07 (2/1)	3208.80 (19/9/97)	13.23 (8/7/32)
Utilities	238.37	239.86	239.38†	242.92 (16/9)	209.47 (25/4)	259.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 8045.70 (8090.46) Low 7900.08 (7962.89) (Theoretical¶)
Day's high 8001.25 (7995.60) Low 7937.40 (7893.45) (Actual¶)

Standard and Poors	Sep 30	Sep 29	Sep 26	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	947.28	953.34	945.22	960.32 (6/8)	737.01 (2/1)	960.32 (6/8/97)	4.40 (1/6/32)
Industrials¶	1108.37	1115.94	1105.33	1130.76 (6/8)	865.42 (11/4)	1130.76 (6/8/97)	3.52 (30/6/32)
Financial¶	111.61	112.15	111.59	112.56 (22/9)	80.75 (2/1)	112.56 (22/9/97)	7.13 (4/8/74)
Others							
NYSE Comp.	497.23	498.58	495.20	499.16 (22/9)	389.47 (11/4)	499.16 (22/9/97)	4.64 (25/4/42)
Amex Comp	699.26	694.66	689.84	699.26 (30/9)	541.20 (28/4)	699.26 (30/9/97)	524.20 (15/7/88)
NASDAQ Comp.	1685.69	1694.98	1682.24	1697.38 (23/9)	1201.00 (2/4)	1697.38 (23/9/97)	54.87 (3/10/74)
Russell 2000	453.82	451.81	448.66	453.82 (30/9)	335.85 (25/4)	453.82 (30/9/97)	123.36 (7/12/93)

■ RATIOS

	Sep 26	Sep 19	Sep 12	Year ago
Dow Jones Ind. Div. Yield	1.68	1.67	1.69	2.17
	Sep 24	Sep 17	Sep 10	Year ago
S & P Ind. Div. yield	1.50	1.50	1.54	1.97
S & P Ind. P/E ratio	25.42	25.37	24.80	22.54

US DATA

■ MARKET ACTIVITY

● Volume (million)	Sep 30	Sep 29	Sep 26
NYSE	597.930	477.100	501.684
Amex	33.078	27.253	28.792
NASDAQ	793.731	646.163	690.619

NYSE	Sep 30	Sep 29	Sep 26
Issues Traded	3,423	3,411	3,399
Rises	1,628	1,651	1,745
Falls	1,283	1,213	1,054
Unchanged	512	547	590
New Highs	309	283	223
New Lows	12	18	13

■ NYSE TRADING ACTIVITY — Volume : 597,930,000

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Unisys	10,685,400	15⅜	+⅜
Gulf Indonesia	8,988,100	22¼	+2¾
Baker Hughes	8,894,200	43¾	−1½
Wstn Digital	6,129,800	40⅛	−8⅝
IBM	5,289,500	105⅜	+⅜
Chrysler	5,096,700	36⅞	−¼
Compaq	4,717,600	74¼	−2¼
WBK Strypes	4,299,500	32¼	
ITT	3,879,700	67¼	+5¼
Philip Mrrs	3,444,800	41⅛	−⅛

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Gulf Indonesia	22¼	+2¾	+14.1
Hallwood	28¾	+2⅝	+10.31
Vimpelcom	41¼	+3¾	+9.87
ITT	67¼	+5¼	+8.4
Downs			
Wstn Digital	40⅛	−8⅝	−18.24
Zilog	21⅝	−2⅞	−11.42
Talbots	28⅜	−1⅞	−6.35
Mae West	38⅜	−2⅛	−5.84

■ NASDAQ TRADING ACTIVITY — Volume :793,731,000

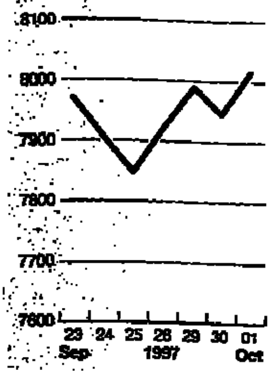
■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Ascend Comm	33,736,000	32¾	−2¾
Intel	15,499,000	92⅛	−3⅛
Quantum	12,465,000	38⅛	−4⅛
Worldcom	9,971,200	35¾	−1⅛
Cisco Sys	6,983,500	73⅛	−1⅛
S3 Incorp	6,769,400	11¾	−¾
Iomet Sys	6,438,000	26¾	−13⅛
Three Com	5,635,000	51¼	−½
Microsoft	5,473,700	132⅜	−2⅛
Tele Comm A	5,426,300	20¼	+⅛

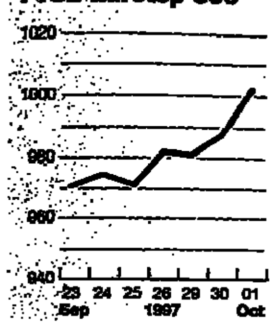
■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
ICG Comm	24½	+4⅜	+21.36
Microllance	26¼	+4½	+20.88
Reliable Life	158½	+20	+14.44
Riverview Svg	32½	+3¾	+13.04
Downs			
Iomet Sys	26¾	−13⅛	−33.54
Triquint Semi	36⅜	−7⅝	−17.42
Rival Co	18	−3¾	−17.42
Kelly Svs A	33½	−3¾	−8.78

Dow Jones



FTSE Eurotop 300



JAPAN

	Oct 1	Sep 30	Sep 29	1997 High	1997 Low	Since compilation High	Since compilation Low
Nikkei 225	17842.16	17887.71	17987.21	20681.07	17303.65	38915.8	85.25

■ TOKYO TRADING ACTIVITY — Volume : 397,000,000

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Sakura Bk	9,543,000	554	−23
Nippon Stl	9,266,000	273	+7
NKK Corp	6,580,000	157	−6
Fujitsu	6,132,000	1500	−10
Mitsui M&S	5,801,000	540	+21
Mbishi Hvy	5,103,000	670	+9
Np Cred Bk	4,447,000	172	−10
Hitachi	4,208,000	1060	+10
Mbishi Est	4,005,000	1620	+60
NEC Corp	3,585,000	1490	+20

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Tokai Seiko	173	+27	+18.5
Daikyo	168	+26	+18.3
Sekid Knst	158	+19	+13.7
Tokai Kogo	127	+15	+13.4
Downs			
Hyakugo Bk	224	−35	−13.5
Kyodo Shry	160	−20	−11.1
Chiyoda Cp	252	−30	−10.6
Hokushin	385	−45	−10.5

FRANCE

	Oct 1	Sep 30	Sep 29	1997 High	1997 Low	Since compilation High	Since compilation Low
CAC 40	3054.93	3008.28	2988.98	3075.67	2256.97	3075.67	984.51

■ PARIS TRADING ACTIVITY — Volume : 349,112,380

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
AXA–UAP	1,180,341	401.9	+3.9
Renault	866,213	178.4	+2.5
Casino Guich	816,467	352.5	−8.5
Rh Poulenc	815,696	238.5	+2.5
BNP	808,259	305.0	+6.1
Usinor	796,627	121.6	+1.7
Elf Aquit	781,549	797.0	+5.0
Alcatel	597,540	806.0	+17.0
Bull	545,382	66.0	+3.7
Total	511,533	700.0	+21.0

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
NIT	520	+104	+25.0
Tete Nuag	100	+13.9	+16.1
Foncina	493	+43	+9.6
Marnco	1098	+83	+8.2
Downs			
GTMH	45	−5	−10.0
Sofinnova	344	−36.5	−9.6
Sasco	183.1	−11.9	−5.8
Saga	119	−7	−5.6

GERMANY

	Oct 1	Sep 30	Sep 29	1997 High	1997 Low	Since compilation High	Since compilation Low
DAX	4196.98	4167.85	4104.27	4438.93	2848.77	4438.93	931.18

■ FRANKFURT TRADING ACTIVITY — Volume : 10,954,247

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Deutsche Bnk	1,890,364	128.9	+2.5
Deutsche Tel	985,067	35.0	+0.8
Lufthansa	852,313	35.75	+0.95
Siemens	590,170	119.1	−0.25
Commrzbnk	445,947	64.1	+0.4
Bayer	380,283	71.15	+0.8
Bayer Vereln	385,536	103.2	+0.4
BASF	358,402	64.25	+0.45
Dresdner Bnk	337,852	82.6	+1.4
Hoechst	308,299	79.2	+0.8

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Walnig(M)	71.5	+6.5	+10.0
AMB Reg	1730	+130	+8.1
Schn Riedl	365	+25	+7.4
Lino Hell	97	+6.5	+7.2
Downs			
Glenz	55.5	−4.6	−7.7
Zand Felsp	132	−9	−6.7
Ex–Cell–O	265	−15	−5.4
DLW	186	−10	−5.1

UK

	Oct 1	Sep 30	Sep 29	1997 High	1997 Low	Since compilation High	Since compilation Low
FTSE 100	5317.1	5244.2	5220.3	5317.10	4056.60	5317.1	986.9

■ LONDON TRADING ACTIVITY — Volume : 1,171,200,000

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
BT	154821900	442	+32½
Shell T&T	19,935,280	476½	+23
Centrica	19,241,220	94¼	+1¼
Brit Steel	15,842,830	181¼	+3½
GWR	14,071,210	189	
BP	12,590,910	938½	+1
Cable & Wire	10,736,050	560½	+33
GEC	10,594,220	406	+14½
Woolwich	9,585,189	310	−1
Thorn	9,438,817	144½	+4½

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Celtic Res	30	+6½	+27.7
Viglen Tch	79	+16	+25.4
Pascoe's	58½	+10	+20.8
BT	442	+32½	+7.9
Downs			
Pathl Prop	15	−5	−25.0
Highlnd Low	62½	−10	−13.8
Riverview	220	−20	−8.3
Gldn Hope	78½	−7	−8.2

INDEX FUTURES

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	955.00	957.70	+3.20	958.90	954.75	65,857	184,258
Mar	–	964.85	–	–	–	235	3,067
■ Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Dec	17570.0	17810.0	+60.0	17940.0	17590.0	24,360	169,306
Mar	17820.0	17820.0	−90.0	17820.0	17820.0	1	7,894

Open interest figures for previous day.

■ CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Oct	3004.0	3065.0	+52.0	3071.0	2986.0	20,486	33,233
Nov	3011.5	3073.0	+52.5	3078.5	3004.0	24	6,720
■ DAX							
Dec	4180.0	4302.0	+118.5	4304.0	4168.5	20,239	60,297
Mar	4257.0	4337.5	+73.5	4292.5	4257.0	70	2,463

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Oct	2615.0	2641.00	+24.0	2651.05	2615.00	5,057	23,096
■ SOFFEX							
Oct	5662.0	5777.0	+106.9	5825.0	5640.0	5,623	23,234

WORLD MARKETS AT A GLANCE

Country	Index	Oct 1	Sep 30	Sep 29	1997 High	1997 Low	Yield	P/E
Argentina	General	24961.31	24761.43	24755.09	24917.86 6/8	18237.37 2/1	2.62	20.9
Australia	All Ordinaries	2779.2	2765.9	2774.6	2779.20 25/9	2352.29 1/4	3.31	19.4
	All Mining	810.1	793.3	780.2	987.18 24/2	765.10 18/9		
Golds soared 4.5 per cent following a sharp rise in the bullion price while banks recovered from early losses.								
Austria	Credit Aktien	466.60	453.20	459.55	466.82 1/8	374.40 9/1	1.85	18.9
Hungary	Bux	7684.95	7692.86	7682.29	8483.80 6/8	4291.30 6/1	na	na
Broad market mixed but Bux index under pressure from losses in heavyweight oil company, MOL, and chemicals group, TVK.								
India	BSE Sens.	3905.51	3902.03	3912.83	4548.02 5/8	3225.24 2/1		
	Crisil 500	721.51	721.10	725.85	843.28 5/8	622.71 2/1	na	na
Unit Trust of India and Life Insurance Corp bought index stocks late in session to reverse sliding prices.								
Indonesia	Jakarta Comp.	536.98	546.69	548.24	740.83 8/7	478.01 2/9	1.92	15.1
Poland	WIG	17534.4	17482.8	17473.9	18339.40 18/2	14421.60 6/1	1.36	12.2
Shares higher for second straight day as talks continued on forming new cabinet.								
Portugal	BVL 30	3640.57	3591.11	3557.64	3603.85 7/8	2165.57 2/1	1.86	26
	PSI 20	8497.15	8378.65	8236.43	8378.65 30/9	5192.34 2/1		
Broad advance led by banks on upbeat view of sector in climate of falling interest rates and brisk economic growth.								
Russia	RTS	503.96	498.42	491.42	569.23 8/8	213.38 6/1	na	na

[illegible]

NASDAQ NATIONAL MARKET

4 pm close October 1

[illegible]

AMEX PRICES

4 pm close October 1

[illegible]

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international operations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$3.375	+0.125	30900	8.25	2.875	Innogenetics	US$11.25	+0.25	73320	12.75	9.875
Artwork Systems	US$8		10250	11.125	7.875	Lernout & Hauspie	US$43.25	+1.875	7230	45	25
Chemunex	FFr12.5		0	18	10	Mercer Int'l	US$11.375	-0.25	0	11.75	8.125
Debonair Holdings	GBP6.15	-0.05	1200	7.15	4.5	NTL	US$26.5		0	27.5	20.5
Dr Solomon's ADS	US$25.75	-0.125	2000	30.75	16.875	PixTech	US$3.5		0	6.125	3.375
EDAP TMS	US$7.8125	-0.1875	200	9.125	6.5	Schoeller-Bleckmann	Sch1533		100	1692	900
ESPACE PROD. INT	FFr117	-1.75	14890	125.5	117	Topcall Int'l	Sch4953	+133	3296	4953	3065
Esprit Telecom ADS	US$8		3000	12.25	5.375	Turbodyne Technol.	US$5.15	+0.6	0	6.25	3.73

Prices for 1/10/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9990)

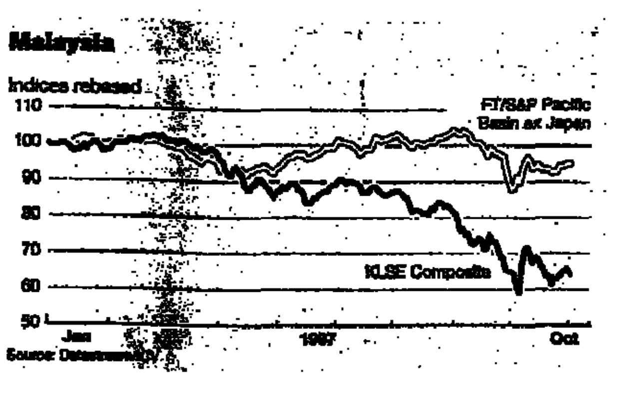
FINANCIAL TIMES Thursday October 2 1997

Old fears return to haunt stock markets

WORLD OVERVIEW

While investors in the US and the UK were digesting the implications of the WorldCom bid for MCI, pipping the rival offer from BT, some old issues returned to haunt other markets, *writes Philip Coggan.*

Italian shares and bonds dipped on repeated worries that the government's 1998 budget might not be passed, in the face of opposition from the Refoundation party. Failure to cut the budget deficit would, of course, threaten Italy's chances of joining the first round of economic and monetary union.



The Mibtel index dropped 2.9 per cent.

There was more bad news from Japan, with the weakness in the Tankan survey sending bond yields down to a startling 1.765 per cent. At that rate of return, bond investors would take 40 years to double their capital.

Meanwhile, the Malaysian stock market was hit again after Mahathir Mohamad, the prime minister, renewed his calls to "regulate or outlaw" currency trading.

His repeated remarks seemed to have undermined investor confidence in the country.

Geoffrey Dennis, global emerging markets strategist at HSBC James Capel, said: "These repeated outbursts have a significant negative impact on the markets.

"It is difficult to look at Malaysia in terms of the fundamentals because of the political factors. The internal situation is not good but it is not as bad as market sentiment suggests."

He said there had been some signs of a change in government attitude in Indonesia and Thailand but not yet in Kuala Lumpur.

Mr Dennis pointed out that investors had a problem in selling out of Malaysia because it was the single biggest component in the emerging market index. "But they need to see signs that the currency is stabilising and that is not happening," he added.

Dana Moore of Global Asset Management said the group's Pacific fund, which includes Japan, had been substantially underweight in Malaysia for some time on fears that the economy had been distorted, with overcapacity in the banking and property sectors.

The Malaysian stock market has dropped 20 per cent since the start of August and has underperformed the IFC composite index by about 10 per cent over the same period.

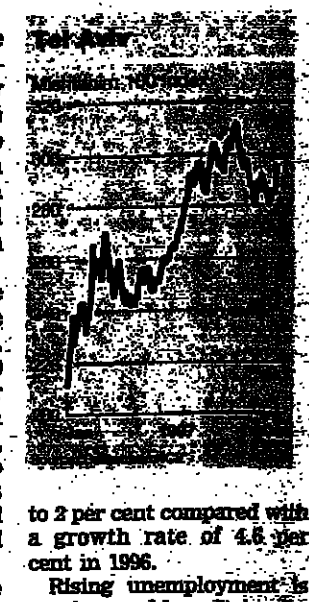
Malaysia and Italy were two exceptions to a generally positive day on world markets. On Wall Street, the Dow Jones Industrial Average got a lift from a subdued purchasing managers' survey, as well as from the telecoms deal. In Europe, the French and German markets both moved higher, while Helsinki and Madrid both notched up record closes.

London market, Page 34

EMERGING MARKET FOCUS

New year, new hopes in Israel

Israel's traders will be doing more than just celebrating the Jewish New Year today. They will be hoping that US attempts to restart Israeli-Palestinian peace talks will lead to a sustained rally on the Tel Aviv Stock Exchange when it reopens on Sunday.



Traders have had little reason to complain over the past year. The Mishtanim, the index of the leading 100 companies, has risen 58 per cent, despite a six-month suspension of peace talks, leading some analysts to believe that the markets are increasingly insulated from recent domestic and political crises.

They also believe the market is very cheap. "It is difficult to say how cheap it is," said Eli Nahum, head of trading at Zannex Securities. "Clearly the peace process plays a role. But the markets are primarily driven by economic fundamentals."

Key factors include the tight monetary and fiscal policy pursued by the Bank of Israel and finance ministry. Interest rates have fallen from 17 per cent a year ago to 13.4 per cent. And inflation, still stubbornly high at nearly 10 per cent, is expected to fall to around 8 per cent over the coming year.

Yaakov Neeman, finance minister, has pushed through cuts of Shk2.3bn in next year's budget to reduce the deficit from 2.8 per cent of gross domestic product this year to 2.4 per cent in 1998, a considerable feat given that the deficit was 4.5 per cent of GDP last year. Privatisation of the banks and telecommunications, attempts to break up the large monopolies, and liberalisation of foreign exchange are all on track.

Despite these achievements, analysts remain concerned about the economic slowdown. Projections for this year's growth have been revised downwards, from over 3 per cent to 2 per cent compared with a growth rate of 4.6 per cent in 1996.

Rising unemployment is another problem. It is edging towards 8 per cent while private consumption per capita is estimated to grow by only 1 per cent. Economists are hoping the 9 per cent rise in exports for the first half of the year, and a narrowing trade deficit, down from $5.6bn during the first six months of last year to $4.3bn this year, could soon boost growth.

Economic fundamentals aside, some analysts believe it is time traders started addressing the problems of the TASE itself, making it more transparent and less beholden to the few large holding companies that dominate the Israeli economy.

Arie Mientkavich, chairman of Israel Discount Bank and former head of Israel's Securities Authority, said this week that one of the biggest problems facing the Israeli market was the power of leading shareholders. "In 99 per cent of the companies, major shareholders control most of the voting power," he said, adding that TASE was dogged by a lack of liquidity and a dearth of institutional investors. It was time, he said, for reform.

Judy Dempsey

Shock bid news boosts US shares

AMERICAS

News of a shock $30bn takeover bid plus a rally in the Treasury bond market pushed equities strongly ahead, *writes John Labate in New York.*

MCI's offer for WorldCom sparked a wave of buying. MCI shares surged 20 per cent or 5\frac{13}{16}$ at 35\frac{5}{16}$, while Brooks Fiber Properties, the local service provider that is the subject of a separate WorldCom takeover plan, rose by more than 17 per cent to $54¾. British Telecom shares, which trade as American depository receipts, gained nearly 8 per cent at 71\frac{13}{16}$. Investors sent WorldCom's stock down 1\frac{13}{16}$ to 34\frac{3}{16}$.

All major indices traded higher. By 1pm the Dow had gained 47.14 at 7,993.40 while the broader Standard & Poor's 500 Index rose 6.03 at 953.31.

A profits warning by chip maker Advanced Micro Devices sent its shares down 4\frac{1}{16}$ or more than 12 per cent at $28½, but the technology sector as a whole gained ground. The Nasdaq composite index rose 3.37 to 1,689.06.

"Today the market is back to its usual pattern of fairly broad based buying, with interest rate sensitive stocks doing well," said Bill Schneider, equity block trader at Salomon.

A rally in the Treasury market drove financial stocks higher. A lower than expected reading of business activity by the National Association of Purchasing Management helped push the long bond up 1$\frac{1}{16}$ at 100¾, depressing the yield down to 6.304 per cent.

Financial stocks moved higher as a result with the BKX banking index of the Philadelphia Stock Exchange rising more than 1 per cent to 726.44. BankAmerica gained 1\frac{13}{16}$ at $75¼ while Chase Manhattan put on 1\frac{5}{16}$ to 119\frac{5}{16}$.

Other company announcements also helped drive stocks ahead. Shares in Marriott surged $4¼ at 75\frac{3}{16}$ on news that the company is to merge its North American contract catering operations with those of France's Sodexho. Airways leader US Airways rose on news of a tentative labor agreement with its pilots, sending its stock up $1⅞ to $42⅞.

A buy rating by Merrill Lynch sent bookseller Barnes & Noble more than 5 per cent higher to 29\frac{13}{16}$.

TORONTO continued to push into uncharted territory, thanks to further strong gains for golds which kept the market pointing higher in spite of a dull morning for the banks. The 300 composite index was up 25.37 at 7,065.60 at noon.

Another upbeat start for the bullion price sent the heavyweight golds sector ever higher. Placer Dome rose 15 cents to C$26.60 and Barrick gained 25 cents to C$34.50.

Techs were also strong. Newbridge Networks gained C$2.50 to C$85.20 and Northern Telecom put on C$1.65 to C$145.90. BCE added 10 cents to C$41.45. Among leading industrials, Alcan Aluminium came off 65 cents to C$47.75.

Banks lost ground following the uptick for central bank rates. Royal Bank of Canada shed 10 cents to C$67.80, Toronto-Dominion Bank 15 cents to C$46.80 and Bank of Montreal 45 cents to C$58.45.

Sao Paulo sharply up

SAO PAULO continued to rise strongly amid hectic buying ahead of today's announcement of the privatisation model for telecoms giant Telebras. "Everyone's betting on good news for the telecoms sector," said one enthusiastic broker. Telebras jumped 2.8 per cent to R$130. At midsession, the Bovespa index was up 215 or 1.8 per cent to 12,013.

MEXICO CITY moved higher on the back of strong local bonds and the upbeat start on Wall Street. The peso rose in the foreign exchanges while in the bond market long yields trickled lower. Telmex gained 10 centavos to 20.35 pesos. The IPC index was up 45.49 at 5,366.99 at noon.

SANTIAGO built on the previous session's gains. Volume stayed light though there was some modest buying action. At noon the IPSA index was up 0.75 at 128.63.

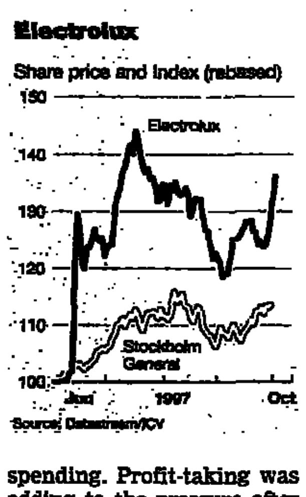
Budget crisis knocks Milan

EUROPE

The high-flying MILAN market, which had been trading at or around all time highs over the past 10 days, took a tumble as the political outlook turned sour.

The Comit index fell 28.25 to 967.20 while the real-time Mibtel index lost 466 to 15,403 as the prime minister, Romano Prodi, said that his centre-left government was officially in crisis. This followed news that its key, hard-left ally, Communist Refoundation, broke ranks saying that it would not support the government's 1998 budget.

James Cornish at NatWest Markets said the government was always going to be vulnerable to opposition during the budget negotiations. But he believed the budget would be passed and that it would include real cuts in spending. Profit-taking was adding to the pressure after the market's 10 per cent rise over the past week.



Among blue chips, Montedison held its loss to just L10 at L1,254 after an upbeat meeting with analysts on Tuesday. Fiat, however, fell 4.3 per cent and Eni lost 3.3 per cent.

Elsewhere in Europe a strong dollar and an upbeat start on Wall Street prompted solid gains. AMSTERDAM pushed ahead strongly for the second day running. Keen demand for a number of key international stocks sent the AEX index up 23.85 at 943.85.

Royal Dutch rose Fl 3.90 or 3.5 per cent to Fl 115.3 on the back of reiterated buy recommendations from two leading brokers. Philips gained Fl 8.00 to Fl 176.4 for a two-day improvement of more than 10 per cent as the group's communications joint venture with Lucent Technologies of the US became operational.

Unilever, which began of a three-day roadshow, added Fl 4.30 at Fl 429.1. Financials were also firm, notably ABN Amro which jumped Fl 1.70 or 4.1 per cent to Fl 42.00.

IHC Caland rose Fl 2.00 to Fl 127.50 on news of a Russian venture and reports of a Dutch shipyard takeover.

STOCKHOLM gained ground following another strong day for Electrolux which helped push the general index up 24.53 to 3,239.37.

Electrolux powered ahead SKr29.00 to SKr622 for a two-day advance of 8 per cent. A positive note from Deutsche Morgan Grenfell drew attention to restructuring gains at the white goods leader. The broker has lifted its earnings estimates for next year and 1999 by 13 per cent on average.

Rumours of imminent corporate activity picked out insurer Trygg-Hansa and the company was suspended from trading at SKr197, up SKr7.00. Market talk linked the group with Storebrand of Norway which surged NKr2.00 at NKr53.00 on the Olso bourse.

FRANKFURT closed electronic trading 2.6 per cent higher at its best level since August 21 and in the absence of domestic corporate news, the market took its lead from the US.

The Ibis-indicated Dax index finished 108.09 higher at 4,262.98.

Mannesmann was among the biggest blue-chip losers, hit by reduced profit forecasts for its mobile telecoms unit, Mobilfunk. The shares lost DM19.60 at DM811.

Veba picked up DM5.20 to DM106.60 after the chairman was reported to have forecast a 10 per cent rise in 1997 profits.

Deutsche Telekom rose DM1.41 to DM35.34, helped by speculation of more takeovers in the telecoms sector after WorldCom's unexpected bid for MCI, which British Telecom had been planning to take over.

PARIS turned morning losses into an afternoon of solid gains. New time buying in the futures market backed by a good start on Wall Street sent the CAC 40 index 46.67 ahead to 3,054.93 at the close of trading.

Motor stocks had a good session in spite of news that French new car registrations had fallen 40 per cent in September. Renault added FFr2.50 at FFr178.4 and Michelin rose FFr15.00 or 4.5 per cent to FFr352.

Havas was up FFr9.40 at FFr412.1 on upbeat interim results from its advertising offshoot, plus news the unit was to handle an exclusive global account for Coca-Cola.

A tie-up with the Marriott group in North American contract catering pushed Sodexho up FFr49.00 to FFr3,000. Bid target Casino swung lower, losing FFr8.50 to FFr352.5.

ZURICH rebounded from midday lows to end 1.4 per cent higher, led by a sharply better performance by Roche after Tuesday's sell-off.

The SMI index jumped 81.1 to 5,754.7. Roche certificates soared SFr400 to SFr13,300, although dealers said part of the rise was attributable to window dressing by portfolio managers.

Elsewhere among the the blue chips, Novartis rose SFr11 to SFr2,241 and Nestlé gained SFr28 to SFr2,054.

Financials finished mostly higher, led by CS Group, up SFr9.50 to SFr206, and Winterthur Insurance, SFr67 higher at SFr1,488.

Publicitas rose SFr17 to SFr358 following surprisingly good first-half results.

Written and edited by Michael Morgan, Jeffrey Brown and Stephen Coon

FTSE Actuaries Share Indices — European series

October 1

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	1002.31	+1.49	+14.68	2.22	0.00	1006.75
FTSE Eurotop 100	2339.93	+1.33	+30.81	-	-	-
FTSE Eurotop 300 Regions						
300 UK	1008.73	+1.57	+15.59	3.06	0.00	1017.45
300 Ex-UK	999.33	+1.44	+14.16	1.73	0.00	1001.36
300 Eurobloc	998.21	+2.04	+19.98	1.91	0.00	1001.22
300 Ex-Eurobloc	1006.10	+1.10	+10.90	2.44	0.00	1011.58
FTSE Eurotop 300 Economic Groups						
Resources	1031.82	+1.94	+19.86	2.59	0.00	1044.28
General Industries	1022.80	+1.65	+16.63	1.90	0.00	1024.18
Consumer Goods	950.59	+1.33	+12.49	1.89	0.00	953.62
Services	986.52	+1.10	+10.74	2.20	0.00	990.64
Utilities	985.36	+1.32	+12.83	3.12	0.00	990.99
Financials	1025.28	+1.50	+15.20	2.23	0.00	1029.73

SOUTH AFRICA

Johannesburg moved to the upside late in the session as industrials pared heavy losses. The all-share index ended up 6.8 at 7,130.

Industrials were dull, sliding to a low for the session of 7,920.1. The index finished off 29.5 at 7,956.8 after late bargain-hunting. Golds added 33.3 to 762.5.

Ringgit collapse hits KL stocks

ASIA PACIFIC

The ringgit's collapse to all-time lows, and Prime Minister Mahathir Mohamad's renewed call either to regulate or ban foreign exchange dealings sent KUALA LUMPUR down 2.3 per cent.

At the close, the composite index was 18.74 lower at 795.83.

Many local dealers were critical of Mahathir, who told a Chilean trade conference that it was necessary to regulate or outlaw currency trading so that free trade could flourish.

Analysts said some foreign equity investors were still buying while local funds were also supporting key index stocks.

However, the majority of investors were sidelined, awaiting the budget of October 17, which was reflected in very thin volumes.

By the close 168m shares were traded valued at M$823m. Losers easily exceeded gainers 608 to 75.

Infrastructure group Renong was flat at M$3.20 after J.P. Morgan downgraded the stock on the basis of a slowing Malaysian economy.

TOKYO fell for the fifth day running on concerns about the economy, underlined by the weak outlook contained in the Bank of Japan's quarterly "Tankan" survey of business confidence, *writes Gwen Robinson.*

Fairly active buying of blue chips by domestic institutions eventually limited the day's losses. The Nikkei 225 average fell 45.55 to 17,842.16 after moving within a range of 17,522.28 and 17,936.86.

Hong Kong and the mainland Chinese markets were closed.

It was the first day of the second half of fiscal 1997 and trading began on a negative note following the publication of the Tankan survey. This showed worse than expected outlooks in both the manufacturing and non-manufacturing sectors, findings, which weighed on corporate earnings prospects for the rest of the business year. The 225 index plunged more than 350 points in early morning selling.

Volume was virtually unchanged at an estimated 397m shares. Declines exceeded advances 711 to 423 with 146 unchanged.

The Topix index of all first-section stocks edged up 0.13 to 1,388.45 and the capital-weighted Nikkei 300 was up 0.13 at 275.80.

In London, the ISE/Nikkei 50 index rose 0.70 to 1,623.13.

Leading high technology issues benefited from bargain-hunting after their recent declines. TDK jumped Y700 to Y11,500 after reaching a record intra-day high of Y11,700. Sony gained Y300 to Y11,700 and Tokyo Electron moved Y410 higher at Y7,780.

Electrical issues, however, mostly declined. Toshiba shed Y12 to Y600 and Fujitsu Y10 to Y1,500, but NEC gained Y20 to Y1,490 and Hitachi Y10 to Y1,060.

Car makers were mixed. Toyota closed Y10 lower at Y3,690 and Mazda Y13 down at Y415, but Honda gained Y140 to Y4,350.

Property issues rose on continuing hopes of land-tax reform. Mitsubishi Estate gained Y60 to Y1,820 after reaching the year's intra-day high of Y1,830 and Mitsui Fudosan Y40 to Y1,510. Nippon Steel was the day's most active issue. It rose Y7 to Y273.

In Osaka, the OSE average fell 28.52 to 18,257.00 in volume of 40m shares.

JAKARTA ended sharply lower on worries over the rupiah, which fell to new low against the dollar. The composite index lost 9.70 or 1.8 per cent at 536.99.

Financials came off steeply with sentiment further hindered by rumours that a number of banks were facing loan difficulties. BII fell Rp100 to Rp850 and BDNI Rp50 to Rp600.

SYDNEY closed higher on the back of strong gold and resource shares. The All Ordinaries index added 12.3 to 2,779.2.

The golds index gained 4.5 per cent. Normandy improved 10 cents to A$1.85 and Acacia 17 cents to A$1.86 on 9.9m traded. Banks were weak. NAB came off 7 cents to A$21.15.

WELLINGTON rose 18.33 to 2,573.11 on the 40 capital index. Fletcher Paper gained 22 cents to NZ$3.30 following the news of a $650m US disposal.

GOLD MINING COMPANIES

The Randfontein Estates Gold Mining Company, Witwatersrand, Limited
(Incorporated in the Republic of South Africa) Registration Number 01/00251/06

	Quarter ended 30.09.97	30.06.97
Ore milled – metric tons (000)	1 562	1 607
Yield – grams per metric ton	2,78	2,47
Gold production – kilograms	4 348	3 975
Ore milled – short tons (000)	1 722	1 771
Yield – ounces per short ton	0,081	0,072
Gold production – ounces	139 791	127 799
Working costs		
– per ton milled	R138,42	R148,54
– per kilogram produced	R49 728	R60 055
– US$ per ounce	$329	$418
	R000	R000
Profit/(loss) from gold	24 651	(27 412)
Profit/(loss) before tax	32 647	(16 386)
Profit/(loss) after tax	31 311	(16 877)
Capital expenditure	10 656	(15 952)

Western Areas Gold Mining Company Limited
(Incorporated in the Republic of South Africa) Registration Number 59/03209/06

	Quarter ended 30.09.97	30.06.97	Proforma excluding North Division 30.09.97
Ore milled – metric tons (000)	612	658	295
Yield – grams per metric ton	6,81	6,25	8,47
Gold production – kilograms	4 167	4 114	2 499
Ore milled – short tons (000)	675	725	325
Yield – ounces per short ton	0,199	0,182	0,247
Gold production – ounces	133 972	132 268	80 345
Working costs			
– per ton milled	R346,25	R338,58	R318,01
– per kilogram produced	R50 850	R54 154	R37 540
– US$ per ounce	$337	$377	$249
	R000	R000	R000
Profit/(loss) from gold	125 708	(8 975)	161 296
Profit/(loss) before and after tax	118 384	(12 900)	155 972
Capital expenditure	84 352	127 334	84 352

H J Joel Gold Mining Company Limited
(Incorporated in the Republic of South Africa) Registration Number 85/01995/06

	Quarter ended 30.09.97	30.06.97
Ore milled – metric tons (000)	320	298
Yield – grams per metric ton	6,44	7,26
Gold production – kilograms	2 060	2 163
Ore milled – short tons (000)	352	328
Yield – ounces per short ton	0,188	0,212
Gold production – ounces	66 231	69 542
Working costs		
– per ton milled	R258,88	R244,87
– per kilogram produced	R40 215	R33 736
– US$ per ounce	$266	$235
	R000	R000
Profit from gold	26 976	29 410
Profit before and after tax	31 [illegible]	48 215
Dividend	-	58 028
Capital expenditure	62 110	101 389

All figures are unaudited. Quarterly reports have been mailed to the shareholders of each company. Copies of the reports may be obtained from the London Secretaries, JCI (London) Limited, 4 St James's Place, London SW1A 1NP

*Johannesburg
2 October 1997*